

**Partial Amendment to Interest Rate Swap Clearing Business Rules and other Rules  
in association with Framework Revisions for Facilitation of Customer Trades in IRS Clearing Service**

**I. Purpose of Amendment**

In JSCC's Interest Rate Swap (IRS) Clearing Service, JSCC will make necessary arrangements to introduce various frameworks, including a framework of collateral pre-posting by a Clearing Broker for the purpose of allocation to Customer's collateral shortfall to reduce JSCC's rejection of Clearing due to Customer's collateral shortfall (hereinafter referred to as "Customer Buffer"), for further promotion of utilizations mainly by Clients and for the enhancement of convenience of JSCC's clearing services. In association with this, JSCC will make necessary amendments to the Interest Rate Swap Clearing Business Rules and other rules as per Appendix attached hereto.

**II. Outline of Amendment**

**1. Introduction of Customer Buffer Framework**

**(1) Utilization of Customer Buffer Framework**

- When using the Customer Buffer framework, a Clearing Broker shall notify the utilization cap for each Customer (Affiliate and Client) to JSCC through the IRS Clearing System, and the same shall apply when changing such cap.
- When a Customer applies for Clearing, if collateral related to Customer's Cleared Contracts is insufficient to cover the Margin Required to Clear, the collateral posted as Customer Buffer shall be automatically allocated to the relevant Customer Account.
- The amount of Customer Buffer allocated to Customer Accounts shall be released just before 7:00 p.m. every business day, and the Customer may not receive a new allocation of Customer Buffer until it deposits Initial Margin shortfall.

- Interest Rate Swap Clearing Business Rules (hereinafter referred to as "IRS Business Rules"), Article 84-7 and other provisions
- Handling Procedures of Interest Rate Swap Business Rules (hereinafter referred to as "IRS Business Rules Handling Procedures"), Article 42-11 and other provisions

**(2) Handling of Customer Buffer Allocated Amount upon Required Intraday Margin Calculation and Required Initial Margin Calculation**

- When calculating Customer's collateral shortfall based on Intraday Margin, and Required Initial Margin calculated based on Cleared Contracts as of 4:00 p.m., the amount of Customer Buffer allocated at the time of the Clearing just before such calculation timing shall be subtracted from the Required Intraday Margin and the Required Initial Margin, respectively.

- IRS Business Rules, Article 63

**(3) Handling of Customer Buffer Allocated Amount at the time of Compression and Position Transfer**

- Upon confirmation of deposit with or delivery to JSCC of the amount sufficient to cover Required Intraday Margin for Vendor-Initiated

- IRS Business Rules Handling Procedures, Article 30-3 and

<p>Compression, or Margin Required to Clear for Member-Initiated Compression and JSCC-Initiated Compression, the deposited amount shall include the amount of Customer Buffer allocated to the Customer Account.</p> <ul style="list-style-type: none"> <li>Upon confirmation of deposit with or delivery to JSCC of the amount sufficient to cover Margin Required to Clear upon Position Transfer of Customer's Cleared Contracts, transfer of Customer's Clearing Brokerage Contracts and Clearing Participant's Proprietary Cleared Contracts, the deposited amount shall include the amount of Customer Buffer allocated to the Customer Account.</li> </ul>	<p>other provisions</p> <ul style="list-style-type: none"> <li>IRS Business Rules Handling Procedures, Article 35-4-4 and other provisions</li> </ul>
<p>(4) Attribution of Right to Request Return of Customer Buffer</p> <ul style="list-style-type: none"> <li>A Clearing Broker shall have the right to request return of the amount equal to the amount deposited with JSCC as Customer Buffer less the amount allocated to Customer Accounts; provided that, when the Customer Buffer allocated to Customer Accounts is released just before 7:00 p.m. every business day, until the Customers deposit or deliver their shortfall in the Required Initial Margin, the Clearing Broker is not entitled to request return of the Customer Buffer amount so allocated.</li> </ul>	<ul style="list-style-type: none"> <li>IRS Business Rules, Article 76</li> </ul>
<p>2. Introduction of Client Additional Margin</p> <p>(1) Utilization of Client Additional Margin Framework</p> <ul style="list-style-type: none"> <li>To contribute to the diversification of customer risk management by Clearing Brokers, JSCC introduces a framework of Required Initial Margin add-on (hereinafter referred to as "Client Additional Margin") based on prior agreement between a Clearing Broker and a Customer (Client only).</li> <li>When using Client Additional Margin framework, the Clearing Broker shall, after an agreement is made with the Customer subject to such framework, give JSCC a notification of utilization.</li> <li>Based on such notification, JSCC will increase the Required Initial Margin for the Customer subject to such framework.</li> </ul> <p>(2) Contribution to IRS Clearing Fund Requirement</p> <ul style="list-style-type: none"> <li>When, as a result of a utilization of Client Additional Margin framework, the sum of the Risk Amount Exceeding Collateral of top 2 Clearing Participants decreases, the Clearing Fund requirement shall be calculated by using the amount obtained by subtracting the amount equal to all or a part of the amount of such decrease from Expected Stressed Loss Share (calculated on an assumption that no Customer is</li> </ul>	<ul style="list-style-type: none"> <li>IRS Business Rules, Article 65-2</li> <li>IRS Business Rules Handling Procedures, Article 36-2 and other provisions</li> <li>Rules on Required IRS Clearing Fund Amount, Appendix</li> </ul>

using Client Additional Margin) applicable to the Clearing Participants falling under certain criteria as the Expected Stressed Loss Share.

- JSCC may change the Expected Stressed Loss Share after such reduction on an ad hoc basis, when it deems necessary.

### 3. Addition of External Compression Vendor Used for Vendor-Initiated Compression

- In the Vendor-Initiated Compression to realize compression of cleared trades, the method offered by Quantile Technologies Limited, as an external vendor, will be added.

• IRS Business Rules Handling Procedures, Article 30-3

### 4. Revision of Backload Transaction Submission Window

- In JSCC's IRS Clearing Service, as to the eligible IRSs submitted for Clearing more than 10 JSCC Business Days after the trade date, the submission window for trades to be cleared as of the next business day as Backload Transactions, which is currently from 4:00p.m. to 8:00p.m. on a JSCC Business Day, is changed to from 7:00 p.m. to 8:00 p.m. on JSCC Business Day.

• IRS Business Rules Handling Procedures, Article 2

### 5. Automatic Amendment of IRS Clearing Brokerage Agreement

- When JSCC makes an amendment to Exhibit Form 3 or Exhibit Form 3-2 to "Handling Procedures of Interest Rate Swap Business Rules" which relates to IRS Clearing Brokerage Agreement, the Clearing Brokerage Agreements that have already been concluded at that time shall be automatically amended to the terms and conditions of Exhibit Form 3 or Exhibit Form 3-2 as amended as of the effective date of such amendment.
- JSCC will notify the details of the amendment to the Clearing Participants at least 1 month prior to the effective date of the amendment in principle.
- Upon receipt of JSCC's notification of the amendment, the Clearing Participants shall promptly notify the details to the Customers they have concluded the Clearing Brokerage Agreement.

• IRS Business Rules Handling Procedures, Article 7  
• Article 3-3 of IRS Business Rules Handling Procedures, Exhibit Form 3 and Exhibit Form 3-2

### 6. Other

- Other necessary revisions are made.

## III. Effective Date

These amendments shall come into force on May 17, 2021.

- \* However, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts,

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these amendments, other than those related to II.5, shall come into force as of the date designated by JSCC which is on or after May 17, 2021.

End of Document

Business Rules and other Rules Partial Amendment  
concerning Interest Rate Swap Clearing Business

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## Interest Rate Swap Clearing Business Rules

Original Document Title: 金利スワップ取引清算業務に関する業務方法書

### Note

1. JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English translation, the original Japanese document will prevail.
2. For convenience purposes, we have only listed proposed changes to “Interest Rate Swap Clearing Business Rules” and other necessary changes in this document. Changes are underlined in the following pages.

## Article 2. Definitions

1 The terms used in the Rules shall have definitions from the Financial Instruments and Exchange Act (Act No. 25 of 1948), the ISDA Definitions and the following items shall be defined as follows:

- (1) “Transfer” means any of the following:
  - a. a process to have a Clearing Brokerage Contract between a Transferring Customer (as such term defined in Article 58-4.1; the same applies in this item) and the Clearing Broker for the Transferring Customer terminate and to have the claims and obligations thereunder cease to have future effect pursuant to the provisions of Article 58-5.4;
  - b. a process to have a Clearing Brokerage Contract between a Transferring Customer and the Clearing Broker for the Transferring Customer terminate and to have the claims and obligations thereunder cease to have future effect pursuant to the provisions of Article 58-5.4, and simultaneously to have a legal relationship with the same terms and conditions as the said Clearing Brokerage Contract come into effect between the Receiving Customer (as such term defined in Article 58-4.1) and the Clearing Broker for the Receiving Customer; and
  - c. a process to have a legal relationship with the same economic effect as the Proprietary Cleared Contract between JSCC and the Transferring Clearing Participant (as such term defined in Article 58-6.1) come into effect between a Receiving Customer (as such term defined in Article 58-6.1) and the Clearing Broker for the Receiving Customer;
- (1)-2 “Customer Initial Margin” means any Japanese yen Cash or Eligible Securities Collateral deposited with a Clearing Broker by a Customer and kept by the Clearing Broker with the consent of the Customer for the purpose of securing the obligations of such Customer set forth in Article 61.1.(2);
- (2) “Customer Account” means a customer account set forth in Article 59.2;
- (2)-2 “Vendor-Initiated Compression” means a process to conduct Compression of a package of Cleared Contracts of multiple Clearing Participants as prescribed by JSCC in accordance with the provisions of Article 53-2-2.

- (2)-3 “JPY Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in Japanese yen.
- (3) “Parent Company” means, with respect to a Legal Entity,
- a. a parent company of such Legal Entity (meaning any other Legal Entity controlling the financial and business policy of such Legal Entity)
  - b. a Legal Entity controlling the financial and business policy of a parent company of such Legal Entity, if any;
  - c. a subsidiary of a parent company of a Legal Entity (meaning any other Legal Entity whose financial and business policy is controlled by a parent company of such Legal Entity);
  - d. a subsidiary of a Legal Entity described in c. above; and
  - e. other persons deemed by JSCC as those equivalent to the foregoing;
- (4) “Parental Guarantee” means a guarantee extended by the Parent Company of a Clearing Participant to secure the obligation of such Clearing Participant owing to JSCC by submitting a letter of guarantee in the form prescribed by JSCC<sup>1</sup>, including other documents deemed by JSCC to be equivalent to such letter of guarantee, to JSCC;
- (4)-2 “Unwind Fee” means, when Cleared Contracts terminate before its scheduled Termination Date as a result of Vendor-Initiated Compression, Member-Initiated Compression or JSCC-Initiated Compression, Cash to be paid or received between JSCC and Clearing Participants which are parties to the relevant Cleared Contracts;
- (4)-3 “Foreign Currency Cleared Contract” means Cleared Contract whose Notional Amount and settlement currency are denominated in any currency other than Japanese yen;

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<sup>1</sup> cf. Handling Procedures of IRS Clearing Business, Article 3 as well as Exhibit Form 1.



- (4)-4 “Foreign Currency Home Business Day” means Sydney Business Day for AUD Cleared Contracts, New York Business Day for USD Cleared Contracts and TARGET Settlement Day for EUR Cleared Contracts;
- (4)-5 “Foreign Currency Home Holiday” means any day other than Foreign Currency Home Business Day;
- (4)-6 “Customer Buffer” means Initial Margin a Clearing Broker deposits with or delivers to JSCC for the purpose of allocation to a deficit pursuant to the provisions of Article 84-7 when a Customer has not deposited with JSCC an amount sufficient to cover the Margin Required to Clear set forth in Article 49.1;
- (4)-7 “Available Customer Buffer Amount” means an amount of the Customer Buffer made available to a Customer intending to request a Clearing Broker to act on its behalf, which is equal to the amount obtained by subtracting the amount of the Customer Buffer already allocated to the relevant Customer Account as of the time at which the notification set forth in Article 54.1 related to the relevant request (including the case where such provisions apply *mutatis mutandis* under Article 54-2.1) is given from the Customer Buffer Cap, or, if such amount is more than the Customer Buffer Unallocated Balance, the amount of such Customer Buffer Unallocated Balance;
- (4)-8 “Customer Buffer Cap” means an upper allocation limit of the Customer Buffer for each Customer Account, which a Clearing Broker sets as a cap on the accumulated amount for one JSCC Business Day allowed to be allocated, and notifies to JSCC pursuant to the provisions of Article 84-6;
- (4)-9 “Customer Buffer Unallocated Balance” means the amount obtained by subtracting the amount of Customer Buffer already allocated pursuant to the provisions of Article 84-7.1 to Customer Accounts of Customers who have concluded the Clearing Brokerage Agreement with the relevant Clearing Broker from the amount of the Customer Buffer deposited with JSCC by the Clearing Broker.
- (5) “Corporate Group” means a corporate group set forth in Article 5.1.(2) of the Financial Instruments and Exchange Act;

- (6) “Early Termination” means a termination of a Cleared Contract before the Termination Date for any reason other than Compression;
- (7) “Early Termination Charge” means Cash received and paid between the parties to a Cleared Contract in the case of its Early Termination;
- (8) “Subordinate Rules” means the rules set by JSCC that are subordinate to these Business Rules, in whatever name and including the amendments thereto, if any;
- (9) “Business Holiday” means a holiday set forth in Article 5.1 or an extraordinary holiday set forth in Article 5.2;
- (9)-2 “Cash” means Japanese yen, Australian dollars, United States dollars and Euro;
- (10) “Funds” means Cash, securities, claims and any other property;
- (11) “IRS Clearing Fund” means Japanese yen Cash or Eligible Securities Collateral deposited with JSCC by each Clearing Participant for the purpose set forth in Article 17.1;
- (12) “IRS Clearing Qualification” means a permission to become a JSCC’s counterparty in a Cleared Contract in accordance with the Rules which may be granted or cancelled by JSCC;
- (13) “IRS Transaction” means an interest rate swap transaction which is an OTC derivatives transaction prescribed in Article 2.22.(5) of the Financial Instruments and Exchange Act;
- (13)-2 “Blended Rates Compression” means a process to conduct Compression in the manner prescribed by JSCC in accordance with the provisions of Article 53-2.
- (13)-2-2 “Client Clearing” means a Clearing for a Customer which does not belong to the same Corporate Group as its Clearing Broker;
- (13)-3 “Cross Margining Accepting Party” means a Clearing Participant which gives,

pursuant to the provisions of Article 84-2.2, to JSCC a notice of acceptance or rejection of an application for having Positions in JGB Futures Contracts covered under Cross Margining submitted to JSCC pursuant to the provisions of the Securities and Similar Contracts Business Rules (“Cross Margining Request”);

- (13)-4 “Cross Margining Requestor” means a JGB Futures Clearing Participant which makes a Cross Margining Request to JSCC;
- (13)-5 “Cross Margining” means a scheme of calculating Required Initial Margin for Positions in JGB Futures Contracts designated by JSCC under the Rules<sup>2</sup>;
- (13)-6 “Cross Margined JGB Futures Cleared Contract” means a JGB Futures Cleared Contract Positions in which are recorded on a Proprietary Account or a Customer Account pursuant to the provisions of Article 84-4.3;
- (13)-7 “Cross Margining Acceptance” means giving a notice of acceptance of Cross Margining Request pursuant to the provisions of Article 84-4.2:
- (13)-8 “Cross Margining User” means a Clearing Participant or a Customer falling under any of the items a through d below, and utilizing Cross Margining for its Positions in JGB Futures Contracts on its book with respect to whom the notification prescribed in Article 84-2 has been submitted to JSCC:
- a. A JGB Futures Clearing Participant;
  - b. A Customer who requested brokerage of its JGB Futures Contracts to a JGB Futures Clearing Participant;
  - c. A JGB Futures Non-Clearing Participant; or
  - d. A Customer who requested brokerage of its JGB Futures Contracts to a JGB Futures Non-Clearing Participant.
- (14) “Settlement Amount” means, in respect of a Cleared Contract, the amount of Cash to be paid or received between JSCC and a Clearing Participant (excluding those to be paid or received as IRS Clearing Fund, Initial Margin, Variation Margin and interests on Variation Margin) or, if such Cash are paid or received on a net basis pursuant to the provisions of Article 85.2 or Article 85-4.2 hereof among such monies, the amount so netted ;

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<sup>2</sup> cf. Handling Procedures of IRS Clearing Business, Article 3-2.

- (15) “Failure of Settlement” means a default or anticipated default in the performance of obligations arising as a result of a Cleared Contract or any other obligations under the Rules in whole or in part by the due date thereof;
- (15)-2 “AUD Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in Australian dollars;
- (15)-3 “JGB Futures Position Transfer” means a process to have new claims and obligations related to JGB Futures Cleared Contracts and the like accrue among JSCC, the JGB Futures Clearing Participant and the Cross Margining User falling under the provisions of Article 2.1.(13)-8.b. to d. (and a JGB Non-Clearing Participant which accepted a brokerage of JGB Futures Contracts for a person falling under Article 2.1.(13)-8.d.) and to pay or receive Cash and settle claims and obligations in association therewith, in accordance with the provisions of Article 94-3. The claims and obligations related to JGB Futures Cleared Contracts and the like means the claims and obligations related to JGB Futures Cleared Contracts, a Clearing brokerage for JGB Futures Contracts and a brokerage for JGB Futures Contracts; and the same shall apply hereinafter;
- (15)-4 “JGB Futures Successor Clearing Broker” means a JGB Futures Clearing Participant that has assumed the claims and obligations arising as a result of the JGB Futures Position Transfer.
- (15)-5 “JGB Futures Cleared Contract” means a Cleared Contract (referring to “Contract subject to Clearing under Article 7.1.(3) of the Securities and Similar Contracts Business Rules) related to JGB Futures Contract;
- (15)-6 “JGB Futures Clearing Participant” means a JGB Futures Clearing Participant set forth in Article 5.3 of the Securities and Similar Contracts Business Rules;
- (15)-7 “JGB Futures Non-Clearing Participant” means a JGB Futures Non-Clearing Participant set forth in Article 73-6.2 of the Securities and Similar Contracts Business Rules;
- (15)-8 “JGB Futures Backup Clearing Broker” means a JGB Futures Clearing Participant

who has been designated by a Cross Margining User in advance in accordance with the provisions of Article 45-3 as a JGB Futures Clearing Participant to accept JGB Futures Position Transfer in respect of the claims and obligations related to the JGB Futures Cleared Contracts and the like when the claims and obligations come into existence in accordance with the provisions of Article 84-5.1.

- (15)-9 “JGB Futures Contract” means a JGB Futures Contract set forth in Article 3.2.(3) of the Securities and Similar Contracts Business Rules;
- (16) “Uniform International Standard” means the uniform international standard set forth in Article 1.4 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 39, 2000), Article 1.4 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 17 of the Long Term Credit Bank Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 40, 2000), or Article 3.5 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 89, Paragraph 1 of Shinkin Bank Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 41, 2000);<sup>3</sup>
- (17) “Japanese Standard” means the standard in Japan set forth in Article 1.5 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act”, Article 1.5 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 17 of the Long Term Credit Bank Act”, or Article 3.4 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 89, Paragraph 1 of the Shinkin Bank Act”;
- (18) “Fixed Resources for Loss Recovery” means the First Tier IRS Settlement Guarantee Reserve, the Second Tier IRS Settlement Guarantee Reserve and the IRS Clearing Fund deposited with JSCC by each Clearing Participant, up to the Second Tier Clearing Participant Cap, other than the Defaulting Clearing

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<sup>3</sup> Uniform International Standard is a standard prescribed in Japan under Basel III.

Participant;

(18)-2 “Compression” means a process to have Cleared Contract(s) terminated before its scheduled Termination Date and have new Cleared Contract(s) simultaneously established;

(19) “Clearing” means execution of an IRS Transaction between JSCC as a principal and each Clearing Participant who is a party to an Eligible IRS Transaction pursuant to Article 49;

(20) “Substituted Initial Margin” means an Initial Margin deposited with JSCC by a Clearing Broker from its own funds for and on behalf of itself and its Customers in respect of a Customer’s Cleared Contract for which they act as the Clearing Broker;

(20)-2 “Member-Initiated Compression” means a process to conduct Compression in the manner prescribed by JSCC in accordance with the provisions of Article 53-2-3.

(21) “Net Capital” means,

for a Financial Instrument Business Operator, the amount of unfixed equity capital set forth in Article 1,4,(2) of the Cabinet Office Ordinance Concerning Financial Instruments Business Operator etc. (Cabinet Office Ordinance No. 52 of 2007);

for a Registered Financial Institution other than insurance company or shinkin bank having one or more overseas office, the amount of gross equity capital used for the calculation of the non-consolidated gross capital adequacy ratio based on the Uniform International Standard (in the case of a foreign bank, the amount of equity capital used for the calculation of the non-consolidated capital adequacy ratio under the applicable laws and regulations in its home country);

for a Registered Financial Institution other than insurance company having no overseas office and a Registered Financial Institution which is a shinkin bank having one or more overseas office, the amount of equity capital used for the calculation of the non-consolidated capital adequacy ratio based on the Japanese Standard; and

for a Registered Financial Institution which is an insurance company, the amount of net assets;

- (22) “Capital-to-Risk Ratio” means the capital-to-risk ratio set forth in Article 46-6.1 of the Financial Instruments and Exchange Act;
- (23) “Proprietary Account” means a proprietary transaction account set forth in Article 59.2;
- (23)-2 “Designated Market Operator” means a designated market operator set forth in Article 3.2.(1) of the Securities and Similar Contracts Business Rules designated by JSCC<sup>4</sup>;
- (23)-3 “Sydney Business Day” means a day on which banks are open for business in Sydney, Australia and fund settlement in Australian dollars is performed;
- (24) “Clearing Broker” means a Clearing Participant who has entered into a Clearing Brokerage Agreement with a Customer;
- (24)-2 “Position Transfer” means a process to have new claims and obligations related to a Proprietary Cleared Contract accrue between JSCC and the Clearing Participant and to pay or receive Cash and settle claims and obligations in association therewith, in accordance with the provisions of Article 53-4.4 or a process to have new claims and obligations related to Customer’s Cleared Contracts and Clearing Brokerage Contracts accrue among JSCC, a Clearing Participant and a Customer, and to pay or receive Cash and settle claims and obligations in association therewith, in accordance with the provisions of Article 58-3.4, Article 94.6 or Article 94-2.2;
- (24)-3 “Successor Clearing Broker” means a Clearing Broker that has assumed the claims and obligations arising as a result of the Position Transfer.
- (24)-4 “Securities and Similar Contracts Business Rules” means the business rules prescribed by JSCC for its securities and similar contracts clearing business;

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<sup>4</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 3-3.

- (25) "Margin" collectively means Initial Margin, Customer Initial Margin and Variation Margin;
- (26) "Net Present Value" means the value calculated by discounting the future cash-flows arising from an IRS Transaction to the present value according to the method prescribed by JSCC<sup>5</sup>;
- (27) "Customer" means a person who has entered into a Clearing Brokerage Agreement with a Clearing Participant and submitted a letter of undertaking as prescribed in Article 43.2 to JSCC, and who satisfies the requirements prescribed by JSCC<sup>6</sup>;
- (28) "Clearing Brokerage Contract" means a legal relationship between a Clearing Broker and a Customer coming into effect as a result of each Clearing Brokerage in accordance with the Clearing Brokerage Agreement, which has the same economic effect as the Customer's Cleared Contract coming into effect as a result of the said brokerage;
- (28)-2 "Clearing Brokerage Contract (Settlement Type)" means a contract for which Variation Margin shall not be paid or received, but Mark-to-Market Difference shall be paid or received pursuant to these Business Rules;
- (28)-3 "Clearing Brokerage Contract (Collateral Type)" means a contract for which Variation Margin shall be paid or received pursuant to these Business Rules;
- (29) "Clearing Participant" means a person who holds an IRS Clearing Qualification;
- (30) "Clearing Participant Agreement" means an agreement between JSCC and a Clearing Participant in the form prescribed by JSCC<sup>7</sup>, which incorporates the terms of the Rules;
- (31) "Clearing Brokerage Agreement" means an agreement entered into between a Customer and a Clearing Broker in the form prescribed by JSCC<sup>8</sup>, including any

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<sup>5</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 4.

<sup>6</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 5.

<sup>7</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 6, as well as Exhibit Form 2.

<sup>8</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 7, as well as Exhibit Form 3.



agreements entered into between the Clearing Broker and a Customer in accordance with such agreement, under which the Clearing Broker may accept the Customer's IRS Transactions for Clearing;

- (32) "Clearing Brokerage Original Transaction" means the original IRS Transaction that existed between a Customer and a Clearing Participant or another Customer for which the Customer requested Clearing via their Clearing Broker;
- (33) "Clearing Brokerage Account" means a clearing brokerage account as set forth in Article 60.1;
- (34) "Cleared Contract" means an IRS Transaction between JSCC and a Clearing Participant that comes into effect as a result of Clearing;
- (35) "Customer's Cleared Contract" means a Cleared Contract on the Customer's book executed by a Clearing Broker according to a request of a Customer for Clearing Brokerage;
- (35)-2 "Cleared Contract (Settlement Type)" means a Cleared Contract for which Variation Margin shall not be paid or received, but Mark-to-Market Difference shall be paid or received pursuant to these Business Rules;
- (36) "Proprietary Cleared Contract" means a Cleared Contract executed by a Clearing Participant on its proprietary book;
- (36)-2 "Cleared Contract (Collateral Type)" means a Cleared Contract for which Variation Margin shall be paid or received pursuant to these Business Rules;
- (36)-3 "Mark-to-Market Difference" shall collectively refer to the Cash listed in the following items:
  - a. Cash paid or received between JSCC and a Clearing Participant on each JSCC Business Day to settle exposure related to the change in present value prescribed in Article 61-2.1. (1);
  - b. Cash paid or received between JSCC and a Clearing Broker on each JSCC Business Day to settle exposure related to the change in present value prescribed in Article 61-2.1. (2); and

- c. Cash paid or received between a Clearing Broker and its Customer on each JSCC Business Day to settle exposure related to the change in present value prescribed in Article 61-2.1. (3);
- (36)-4 “Mark-to-Market Difference And Adjustment Amount” collectively means the Mark-to-Market Difference<sub>u</sub> and Adjustment Amount related to Mark-to-Market Difference;
- (36)-5 “Adjustment Amount related to Mark-to-Market Difference” means Cash as set forth in Article 83.2.1;
- (37) “Resources for Loss Recovery” means the Fixed Resources for Loss Recovery and the Liquid Resources for Loss Recovery to be used in accordance with the Rules to recover the losses which JSCC may incur upon the Default of any Clearing Participant.
- (38) “First Tier IRS Settlement Guarantee Reserve” means an amount set aside by JSCC in accordance with the Subordinate Rules<sup>9</sup> for the purpose of covering losses arising from the Default of a Clearing Participant;
- (39) “Second Tier IRS Settlement Guarantee Reserve” means an amount set aside by JSCC in accordance with the Subordinate Rules<sup>10</sup> for the purpose of covering losses arising from the Default of a Clearing Participant;
- (40) “Second Tier Clearing Participant Cap” means the Required IRS Clearing Fund contribution of each Clearing Participant as of the JSCC Business Day immediately preceding the start date of the Default Settlement Period in which the Default Determination Date in respect of the Defaulting Clearing Participant set forth in Article 103.1 falls.
- (41) “Third Tier Special Clearing Charge” means Japanese yen Cash paid by a Clearing Participant to JSCC in accordance with the provisions of Article 105;

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<sup>9</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 3.

<sup>10</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 4.

- (42) “Third Tier Special Clearing Charge Collateral” means Japanese yen Cash deposited by a Clearing Participant with JSCC for the purpose described in Article 107.1.(1);
- (43) “Fourth Tier Special Clearing Charge” means Cash paid by a Clearing Participant to JSCC in accordance with the provisions of Article 106;
- (44) “Fourth Tier Special Clearing Charge Collateral” means Cash deposited by a Clearing Participant with JSCC for the purpose described in Article 107.1.(2);
- (45) “Eligible Securities Collateral” mean the securities specified by JSCC<sup>11</sup> that may be deposited as the IRS Clearing Fund, Initial Margin, Customer Initial Margin or Default Contingent Margin;
- (45)-2 “Position” means “Position” as defined in Article 45-2.2 of the Securities and Similar Contracts Business Rules;
- (46) “Other Clearing Business” means the Clearing Service and businesses incidental thereto carried out by JSCC excluding the IRS Clearing Businesses;
- (47) “Eligible IRS Transaction” means an IRS Transaction between Clearing Participants which satisfies the requirements prescribed by JSCC<sup>12</sup>;
- (48) Deleted;
- (49) “JSCC Business Day” means any day other than a Business Holiday<sup>13</sup>;
- (50) “Initial Margin” means Japanese yen Cash or Eligible Securities Collateral deposited with JSCC by a Clearing Participant or a Customer for the purpose of securing the obligations prescribed in Article 61.1.(1);
- (51) “Special Clearing Charge” collectively refers to the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge;

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<sup>11</sup> cf. Handling Procedures of IRS Clearing Business, Article 8.

<sup>12</sup> cf. Handling Procedures of IRS Clearing Business, Article 9.

<sup>13</sup> cf. IRS Clearing Business Rules, Article 5.

- (52) "Special Clearing Charge Collateral" collectively refers to the Third Tier Special Clearing Charge Collateral and the Fourth Tier Special Clearing Charge Collateral;
- (52)-2 "Per Trade Compression" means a process of conducting Compression through a method prescribed by JSCC in accordance with the provisions of Article 53;
- (53) "Transaction Side" means a distinction of a leg under an IRS Transaction set forth in a. or b. below in accordance with the classification of IRS Transactions set forth in each such item:
- a. IRS Transaction in which both parties are obliged to pay Floating Rates: distinction of each side under such IRS transaction in which both parties are obliged to pay Floating Rates pursuant to Confirmation or the Rules, or
  - b. IRS Transaction other than the above: distinction between Floating Rate Payer or Fixed Rate Payer
- (54) "Intraday Margin" means Initial Margin to be deposited pursuant to Article 67 through Article 70 hereof.
- (54)-2 "New York Business Day" means any day on which banks are open for business in New York City, U.S.A. and fund settlement in United States dollars is performed:
- (54)-3 (Deleted)
- (54)-4 "Non-hedge Account" means a classification of Customer Account designated as non-hedge account pursuant to the provisions of Article 59.7.
- (55) "Default Contingent Margin" means Japanese yen Cash or Eligible Securities Collateral to be deposited with JSCC by a Clearing Participant for the purpose of securing the obligations set forth in Article 108.1 hereof.
- (56) "Default Settlement Period" means a period of 30 days from the Default Determination Date with respect to the Default of such Clearing Participant, except in the case where another Default is determined during an existing Default

Settlement Period, in which case, the Default Settlement Period shall be extended to the day 30 days after the Default Determination Date for such subsequently occurred Default;

- (57) “Default Auction” means the Default Auction prescribed in Article 95;
- (58) “Defaulting Clearing Participant” means a Clearing Participant determined by JSCC to be in Default, and when Defaulting Clearing Participant is acting for a Customer, it may also be referred to as “Defaulting Clearing Broker”;
- (59) “Default” means any of the following events and actions:
  - a. Become, or be likely to become, unable to pay (as prescribed in Article 2.11 of the Bankruptcy Act (Act No. 75 of 2004)) or to become insolvent with excess liabilities (as prescribed in Article 16.1 of the Bankruptcy Act);
  - b. Become subject to suspension of transactions by a clearinghouse or an Electronic Monetary Claim Recording Institution defined in Article 2.2 of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007);
  - c. Suspend its payment (meaning suspension of payment by which insolvency is presumed pursuant to the provisions of Article 15.2 of the Bankruptcy Act) or occurrence of similar events;
  - d. Dissolve itself (excluding dissolution due to a merger);
  - e. Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings or commencement of special liquidation or acknowledgement of foreign insolvency proceedings is filed (including the petitions equivalent thereto under any foreign laws and regulations);
  - f. An event which causes commencement of bankruptcy proceedings, rehabilitation proceedings, reorganisation proceedings or special liquidation (including that equivalent thereto under any foreign laws and regulations) has occurred; or

- g. Only with respect to Clearing Participants whose Cross Margined JGB Futures Cleared Contracts are recorded on their Clearing Participant Accounts (other than those which also are JGB Futures Clearing Participants), an acceleration of obligations under an Agreement for Setting up Futures/Options Trading Account prescribed by the Designated Market Operator for brokerage of JGB Futures Contracts or under a Contract for Commissioning Clearance Relating to JGB Futures, Etc. Contracts concluded for brokerage of Clearing pursuant to the provisions of Article 39 of the Securities and Similar Contracts Business Rules;
- (60) “Default Determination Date” means the day on which JSCC determines the Default of a Clearing Participant;
- (60)-2 “Backup Clearing Broker” means a Clearing Broker (limited to the one who has obtained an approval set forth in Article 12-2) who has been designated by a Customer in advance in accordance with the provisions of Article 45-2 as a Clearing Broker to succeed to the claims and obligations related to the Cleared Contracts (Customer Account) and the Customer Clearing Contracts executed on the account of the relevant Customer when a Default is acknowledged with respect to the Clearing Broker who then is providing the Customer Clearing to the relevant Customer.
- (61) (Deleted);
- (62) “Non-resident” means a non-resident prescribed in Article 6.1.(6) of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949);
- (62)-2 “USD Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in United States dollars;
- (62)-3 “Hedge Account” means a classification of Customer Account notified as hedge account pursuant to the provisions of Article 59.7.
- (63) “Variation Margin” shall collectively refer to the Cash listed in the following items:
- a. The Cash received and paid between a Clearing Participant and JSCC on each JSCC Business Day for the purpose of securing the obligations listed in Article

61.1.(3);

- b. The Cash received and paid between a Clearing Broker and JSCC on each JSCC Business Day for the purpose of securing the obligations listed in Article 61.1.(4); and
- c. The Cash received and paid between a Clearing Broker and a Customer on each JSCC Business Day for the purpose of securing the obligations listed in Article 61.1.(5).

(63)-2 “Cash Settlement Amount” means Variation Margin, interest on Variation Margin, amount to be settled and other Cash to be paid or received under Cleared Contracts.

(64) “Legal Entity” means a corporate body, an association or any other entities equivalent thereto (including overseas entities equivalent thereto);

(65) “Rules” shall collectively refer to the Business Rules, the Subordinate Rules and Documents Setting Forth Handling of ISDA-Based Documents;

(66) “Liquid Resources for Loss Recovery” means the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge.

(67) “Consolidated Capital-to-Risk Ratio” means the consolidated capital-to-risk ratio set forth in the Article 2 of “Establishment of Criteria for Judgment on the Adequacy of Equity Capital of a Special Financial Instruments Business Operator and its Subsidiary Entities in Light of Assets, etc. Held by Such Special Financial Instruments Business Operator and its Subsidiary Entities”(Financial Services Agency Public Notice No. 128 of 2010);

(68) “Officer” means an officer prescribed in Article 329 of the Company Act (Act No.86 of 2005) (in respect of a Legal Entity other than a limited company<sup>14</sup>, a person who is treated as equivalent to an officer of a limited company under the applicable laws and regulations);

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<sup>14</sup> Kabushiki Kaisha under the Company Act.

- (68)-2 “EUR Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in Euro.
- (69) “ISDA” means International Swaps and Derivatives Association, Inc.;
- (70) “Documents Setting Forth Handling of ISDA-Based Documents” mean the documents prescribed by JSCC by notification to Clearing Participants or public notice in connection with the matters necessary to apply the ISDA Master Agreement and the ISDA Definitions to a Cleared Contract and any other matters in accordance with the provisions of the Subordinate Rules<sup>15</sup>;
- (71) “ISDA Master Agreement” means the 2002 ISDA Master Agreement published by ISDA in 2003 (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC) which shall be applied to Cleared Contracts;
- (72) “ISDA Definitions” means the 2006 ISDA Definitions published by ISDA in 2007 (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC<sup>16</sup>);
- (72)-2 “JSCC-Initiated Compression” means a process to conduct Compression of a package of Cleared Contracts related to two or more Clearing Participants or Customers as prescribed by JSCC in accordance with the provisions of Article 53-2-4;
- (73) “TARGET Settlement Day” means any day on which Trans-European Automated Real-Time Gross Settlement Express Transfer System, a Euro fund settlement system, is in operation and a fund settlement in Euro is performed.

2 The terms listed in the “Term” column in the table attached hereto as the Annex among the terms used in the Rules, shall refer to the corresponding terms listed in the “ISDA Definitions” column as defined in the relevant section of the “ISDA Definitions” stated in the “Section” column.

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<sup>15</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 10.

<sup>16</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 11.



3 If there is a discrepancy between the meaning of any term used in the Financial Instruments and Exchange Act or the ISDA Definitions and the Rules, the meaning in the Rules shall prevail.

Article 63. Obligation to Deposit Initial Margin

A Clearing Participant and a Customer shall be required to deposit Initial Margin with JSCC pursuant to the provisions of each item below according to the classification of the Cleared Contracts listed in each such item. For the purpose of this Article and Articles 64 to 66, the reference to Initial Margin shall exclude Intraday Margin:

(1) Proprietary Cleared Contract

A Clearing Participant shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Initial Margin in relation to a Proprietary Cleared Contract as Initial Margin.

(2) Customer's Cleared Contract

- a. A Customer shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Initial Margin in relation to the Customer's Cleared Contracts for such Customer as Initial Margin. If the Clearing Broker and the Customer separately agree otherwise, the amount to be deposited shall be the amount calculated based on such agreement or the Required Initial Margin, whichever is larger (the same rule shall apply hereinafter).
- b. Deposit of Initial Margin by a Customer with JSCC pursuant to a. above shall be made through a Clearing Broker prescribed in a. above acting as its agent in accordance with the provisions of Article 72.
- c. When a Customer deposits the Customer Initial Margin with a Clearing Broker in accordance with Article 73, the amount of such Customer Initial Margin shall be deducted from the Required Initial Margin to be deposited with JSCC by such Customer. In such case, the Clearing Broker shall deposit with JSCC, as Substituted Initial Margin, Cash or Eligible Securities Collateral in an amount not less than the Customer Initial Margin deposited by the Customer with such Clearing Broker.

d. When a Customer Buffer is allocated to a Customer Account pursuant to the provisions of Article 84-7.1, the amount so allocated shall be deducted from the Required Initial Margin to be deposited by the Customer with JSCC.

Article 65-2. Increase of Required Initial Margin for Customer under Agreement between Clearing Broker and Customer

Upon receipt of a notification in a manner prescribed by JSCC<sup>17</sup> from a Clearing Broker of an increase in the Required Initial Margin for its Customer not in the same corporate group as such Clearing Broker in accordance with an agreement between such Clearing Broker and such Customer, JSCC shall increase the Required Initial Margin related to such Customer's Cleared Contracts in a manner prescribed by JSCC<sup>18</sup>.

Article 67. Obligation to Deposit Intraday Margin

A Clearing Participant and a Customer shall be required to deposit Intraday Margin with JSCC pursuant to the provisions of each item below according to the classification of the Cleared Contracts listed in each such item:

(1) Proprietary Cleared Contract

A Clearing Participant shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Intraday Margin in relation to a Proprietary Cleared Contract as Initial Margin.

(2) Customer's Cleared Contract

a. A Customer shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Intraday Margin in relation to a Customer's Cleared Contract for such Customer as Initial Margin. If the Clearing Broker and the Customer separately agree otherwise, the amount to be deposited shall be the amount calculated based on such agreement or the Required Intraday Margin, whichever is larger (the same rule shall apply hereinafter).

b. Deposit of Intraday Margin by a Customer with JSCC pursuant to a. above

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<sup>17</sup> cf. Handling Procedures of IRS Clearing Business, Article 36-2.1

<sup>18</sup> cf. Handling Procedures of IRS Clearing Business, Article 36-2.3

shall be made through a Clearing Broker prescribed in a. above acting as its agent in accordance with the provisions of Article 72.

- c. When a Customer deposits the Customer Initial Margin with a Clearing Broker in accordance with Article 73, the amount of such Customer Initial Margin shall be deducted from the Required Intraday Margin to be deposited with JSCC by such Customer. In such case, the Clearing Broker shall deposit with JSCC, as Substituted Initial Margin, Cash or Eligible Securities Collateral in an amount not less than the Customer Initial Margin deposited by the Customer with the Clearing Broker.

d. When a Customer Buffer is allocated to a Customer Account pursuant to the provisions of Article 84-7.1, the amount so allocated shall be deducted from the Required Intraday Margin to be deposited by the Customer with JSCC.

#### Article 75. Classification and Management Method of Initial Margin

1 When depositing Cash or Eligible Securities Collateral as Initial Margin with JSCC, the Clearing Participant shall deposit such Cash or Eligible Securities Collateral separately according to the below listed classifications:

- (1) Initial Margin for Proprietary Cleared Contract;
- (2) Initial Margin for Customer's Cleared Contract of each Customer to be deposited by a Clearing Participant acting as an agent of a Customer; ~~and~~
- (3) Initial Margin for Customer's Cleared Contract of each Customer to be deposited by a Clearing Participant as Substituted Initial Margin; ~~and-~~

(4) Initial Margin to be deposited as Customer Buffer.

2 JSCC shall manage Cash or Eligible Securities Collateral deposited by a Clearing Participant as Initial Margin separately according to the classifications prescribed in Paragraph 1.

3 With respect to the Substituted Initial Margin described in Paragraph 1.(3), a

Clearing Participant shall report to JSCC, on each JSCC Business Day, the amount of Customer Initial Margin in the form of cash, and the total amount of the appraisal values of Eligible Securities Collateral deposited as Customer Initial Margin by the Customer with the Clearing Participant. JSCC shall separately monitor the difference between the amount of cash and the appraisal value of Eligible Securities Collateral deposited as Customer Initial Margin and the amount of the Substituted Initial Margin.

Article 76. Right to Claim Return of Initial Margin

1 A Clearing Participant and a Customer shall respectively have the right to claim the return of specified categories of Initial Margin from JSCC as described in the items below:

(1) Initial Margin for Customer's Cleared Contracts

- a. For Initial Margin deposited with JSCC by a Customer and Substituted Initial Margin deposited with JSCC by a Clearing Participant as broker for the Customer, the Customer shall have the right to request the return of Initial Margin in an amount equivalent to the sum of (i) Initial Margin and (ii) Customer Initial Margin less (iii) the outstanding obligation of the Customer owed to its Clearing Broker in respect of that Customer's Clearing Brokerage Contracts (including any outstanding obligation arising as a result of the termination of that Customer's Clearing Brokerage Contracts) and (iv) the outstanding obligation of the Customer owed to its Clearing Broker in respect of the Cross Margined JGB Futures Cleared Contracts recorded on the Customer Account established for such Customer (including any outstanding obligation arising as a result of the termination of the Cross Margined JGB Futures Cleared Contracts). The amount of Customer Initial Margin above shall be limited to the amount of Substituted Initial Margin deposited with JSCC by the Clearing Broker

Notwithstanding the foregoing, in case the amount calculated above as Customer's claim exceeds the sum of Initial Margin and Substituted Initial Margin less the outstanding obligation of the Clearing Broker owed to JSCC in respect of the Customer's Cleared Contracts (including any outstanding obligation arising in association with liquidation of the

Customer's Cleared Contracts as a result of the Default of the Clearing Broker, but excluding obligation owed pursuant to the provision of Article 99-2.2) and the outstanding obligation of the Clearing Broker owed to JSCC in respect of the Cross Margined JGB Future Cleared Contracts recorded on the Customer Account established for such Customer, the Customer's claim shall not cover such excess amount.; and

- b. For Initial Margin and Substituted Initial Margin deposited with JSCC as broker for a Customer, their Clearing Broker may request the return of an amount equivalent to the sum of Initial Margin and Substituted Initial Margin less the total of b-1, b-2 and b-3 below;

b-1 : outstanding obligation of such Clearing Broker owed to JSCC in respect of the Customer's Cleared Contracts

b-2: outstanding obligation of the Clearing Broker owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts recorded on the Customer Account established for the Customer

b-3 : the amount of Initial Margin which said Customer shall have the right to reclaim under a. above.

(2) Initial Margin for Proprietary Cleared Contracts

A Clearing Participant shall have the right to request the return of Initial Margin in the amount equivalent to the amount of Initial Margin deposited with JSCC less the amount of outstanding obligation of the Clearing Participant owed to JSCC in respect of the Clearing Participant's Cleared Contracts (including any outstanding obligation arising from the settlement of Cleared Contracts due to Default of said Clearing Participant and other monies owed to JSCC) and the outstanding obligation of the Clearing Participant owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts recorded on its Proprietary Account.

(3) Customer Buffer

A Clearing Participant shall have the right to request the return of Initial Margin with respect to the Customer Buffer Unallocated Balance; provided, however, that, when an allocated Customer Buffer is released from allocation pursuant to the provisions of Article 84-7.2, a Clearing Participant shall not have the right to request the return with respect to such allocated amount of Customer Buffer until the relevant Customer deposits or delivers sufficient amount to cover shortfall in the Required Initial Margin.

2 If the amount of the right to claim return of Initial Margin prescribed in Paragraph 1 exceeds the Required Initial Margin or the Required Intraday Margin, a Clearing Participant or a Customer may request JSCC to return Initial Margin up to the excess amount.

3 In addition to the case prescribed in Paragraph 2, a Customer may claim the return of Initial Margin as set forth in the Rules<sup>19</sup>.

4 A Customer shall exercise its right to request the return of Initial Margin through its Clearing Broker; provided however, in the event that JSCC has declared the Default of the Clearing Broker, the Customer shall request the return of Initial Margin directly from JSCC.

5 Notwithstanding the provisions of Paragraphs 2 and 3, where a Customer may request the return of Customer Initial Margin from its Clearing Broker, said Customer shall not request the return of Initial Margin which corresponds to the said Customer Initial Margin from JSCC, except where JSCC has declared the Default of such Clearing Broker.

## **Section 5. Customer Buffer Framework**

### **Article 84-6. Notification of Customer Buffer Utilization**

1 When allowing its Customer to utilize Customer Buffer, a Clearing Broker shall notify JSCC, in advance in a manner prescribed by JSCC<sup>20</sup>, of the Customer Buffer Cap for each Customer Account that are allowed Customer Buffer utilization.

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<sup>19</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 37

<sup>20</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-10.1

2 When changing the Customer Buffer Cap for its Customer that are allowed Customer Buffer utilization, a Clearing Broker shall notify such change to JSCC in advance in a manner prescribed by JSCC<sup>21</sup>.

#### Article 84-7. Utilization of Customer Buffer

1 When a Customer requested a Clearing Broker to act as its Clearing Broker pursuant to the provisions of Article 54 or Article 54-2 and an amount sufficient to cover the Margin Required to Clear has not been deposited with or delivered to JSCC, the amount of Customer Buffer equal to such shortfall (hereinafter referred to as "Shortfall in Margin Required to Clear" in this Article) shall be automatically allocated to such Customer's Customer Account in a manner prescribed by JSCC<sup>22</sup>, and JSCC shall confirm satisfaction of the Clearing Requirements based on the deposited amount which includes the Customer Buffer so allocated, unless the Shortfall in Margin Required to Clear is more than the Available Customer Buffer.

2 The Customer Buffer allocated to a Customer Account pursuant to the provisions of Paragraph 1 shall be released from allocation to such Customer Account every JSCC Business Day at the timing prescribed by JSCC<sup>23</sup>.

3 When Customer Buffer allocated to a Customer Account is released pursuant to the provisions of Paragraph 2, notwithstanding the provisions of Paragraph 1, the Customer may not receive an allocation of Customer Buffer to its Customer Account until it deposits or delivers the amount sufficient to cover the shortfall in the Required Initial Margin.

#### Article 85. Japanese Yen Fund Settlement

1 JSCC and Clearing Participants shall pay or receive Japanese yen Cash specified by JSCC<sup>24</sup> in the manner prescribed by JSCC<sup>25</sup>.

2 JSCC may pay or receive Japanese yen Cash on a net basis separately for each of the Clearing Participant's Proprietary Account, including an amount of Customer

<sup>21</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-10.1

<sup>22</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-11.1

<sup>23</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-11.2

<sup>24</sup> cf. Handling Procedures of IRS Clearing Business, Article 43.1.

<sup>25</sup> cf. Handling Procedures of IRS Clearing Business, Article 43.2.

Buffer if the Clearing Participant has deposited Customer Buffer, and separately by each Customer Account, in the manner prescribed by JSCC<sup>26</sup>.

#### Supplementary Provisions

1. These amendments shall come into force as of May 17, 2021.

2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after May 17, 2021.

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<sup>26</sup> cf. Handling Procedures of IRS Clearing Business, Article 43.4.



## Handling Procedures of Interest Rate Swap Business Rules

Original Document Title : 金利スワップ取引清算業務に関する業務方法書の取扱い

### Note:

1. JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English translation, the original Japanese document will prevail. Provided, however, the Exhibit Form 3-2 (Clearing Brokerage Agreement) in English is the original format.
2. For convenience purposes, we have only listed proposed changes to “Handling Procedures of Interest Rate Swap Business Rules” and other necessary changes in this document. Changes are underlined in the following pages.

## Article 2. Definitions

Unless otherwise set forth herein, the terms used in these IRS Procedures shall have the meanings used in the Business Rules. In addition, the following terms shall have the meanings defined below:

- (1) "Upfront Fee" means the Cash other than Fixed Rates and Floating Rates that is due pursuant to the agreement between the parties upon execution of an IRS Transaction ;
- (2) "IRS Clearing System" means the system used for exchange of information between JSCC and Clearing Participants in respect of the IRS Clearing Business;
- (2)-2 "CFTC Regulation" means Code of Federal Regulations TITLE 17 Commodity and Securities Exchanges CHAPTER I COMMODITY FUTURES AND TRADING COMMISSION;
- (3) "Additional Required Initial Margin" means the amount to be added to Required Initial Margin when JSCC increases a Clearing Participant's Required Initial Margin in accordance with the Rules;
- (4) "Backload Transaction" means an Eligible IRS Transaction applied for Clearing by a Clearing Participant to JSCC during a period from 7:00 p.m. through 8:00 p.m. on a JSCC Business Day whose trade date is 10 JSCC Business Days preceding the date of such application or earlier.
- (4)-2 "Package Trade" means, when a Clearing Participant applies for Clearing of a voluntary combination of multiple Eligible IRS Transactions in bulk, the group of relevant Eligible IRS Transactions.
- (5) "2000 ISDA Definitions" means 2000 ISDA Definitions published by ISDA in 2000, including changes, amendments, or supplements published by ISDA in writing, but excluding those specified by JSCC in a public notice.
- (6) "Contract Month Contract" means a contract for a contract month set forth in Article 73-6.1 of the Securities and Similar Contracts Business Rules.
- (7) "Settlement Price" means the settlement price of JGB Futures Contract set forth in Article 73-7 of the Securities and Similar Contracts Business Rules;
- (8) "Large JGB Futures Contract" means a "Large JGB Futures Contract" defined in Article 73-10.1 of the Securities and Similar Contracts Business Rules;

- (9) "Mini JGB Futures Contract" means a "Mini JGB Futures Contract" defined in Article 73-9-2 of the Securities and Similar Contracts Business Rules.

Article 7. Clearing Brokerage Agreement

- 1 The form prescribed under Article 2.1.(31) of the Business Rules shall be the form attached hereto as Exhibit Form 3 or Exhibit Form 3-2.
- 2 When JSCC intends to make an amendment to Exhibit Form 3 or Exhibit Form 3-2, it shall notify details of such amendment to Clearing Participants at least one month prior to the effective date of such amendment; provided that if such amendment does not affect the claims or obligations of Clearing Participants and Customers or if it is immaterial, such notice may be given promptly after such amendment.
- 3 Upon receipt of the notification from JSCC as to an amendment to the provisions of Exhibit Form 3 or Exhibit Form 3-2 pursuant to the provisions of Paragraph 2, Clearing Participants shall promptly notify details of such amendment to their Customers with whom they have concluded the Clearing Brokerage Agreement.
- 4 When JSCC has amended provisions of Exhibit Form 3 or Exhibit Form 3-2, the Clearing Brokerage Agreements that have already been concluded shall be amended as a matter of course according to such amended provisions of Exhibit Form 3 and Exhibit Form 3-2 as of the effective date of such amendment.

Article 8. Types of Eligible Securities Collateral

- 1 The securities specified under Article 2.1.(45) of the Business Rules shall be as follows:
  - (1) Japanese Government Bonds; and
  - (2) United States Treasury Security.
- 2 Notwithstanding the provisions of Paragraph 1 above, the securities prescribed in Article 2.1.(45) of the Business Rules shall not be specified for Initial Margin to be deposited as Customer Buffer.

Article 20. Matters to be Reported

- 1 Events prescribed under Article 20 of the Business Rules shall be any of the following events on the part of a Clearing Participant. The Clearing Participant shall report such event to JSCC in the form prescribed by JSCC together with the documents which JSCC deems necessary:
  - (1) When the Clearing Participant establishes or changes its risk management methods, business operations or any other aspects of its business pursuant to Article 29-2.2.(2) or Article 33-3.2.(2) of the Financial Instruments and Exchange

Act (Act No. 25 of 1948), or, in the case of a foreign bank, when it changes any item stated in the document prescribed in Article 18.2.(4) to be submitted with the application for IRS Clearing Qualification pursuant to Article 18.2, unless such change is immaterial;

- (2) When the Clearing Participant learns that its Designated Parent Company (as such term defined in Article 57-12.3 of the Financial Instruments and Exchange Act) filed notification pursuant to the provisions of Article 57-14 of said Act in respect of the matters listed in Article 57-13.1.(6) of said Act;
- (3) If the Clearing Participant is a Financial Instruments Business Operator, when it suspends or resumes its Financial Instruments Business; and, if the Clearing Participant is a Registered Financial Institution, when it suspends or resumes the business which required registration under the Financial Instruments and Exchange Act;
- (4) When the Clearing Participant files a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings, the commencement of special liquidation or the recognition of foreign insolvency proceedings<sup>1</sup>, including petitions equivalent to the foregoing under any foreign laws and regulations, or when the Clearing Participant becomes aware of the fact that the petition for any of the foregoing was filed against it;
- (5) When the Clearing Participant becomes aware of a filing of a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings, the commencement of special liquidation or the recognition of foreign insolvency proceedings in respect of the Designated Parent Company;
- (6) When the Clearing Participant becomes, or is likely to become, insolvent;
- (6)-2 When the Clearing Participant set forth under Article 2.1.(59).g. of the Business Rules had its obligations accelerated pursuant to the provisions of the Agreement for Setting up Futures/Options Trading Account or the Contract for Commissioning Clearance of JGB Futures Contracts;
- (6)-3 If, with respect to a Clearing Participant, the Cross Margined JGB Futures Cleared Contracts are recorded on its Clearing Participant Account and the Cross Margining User for such Cross Margined JGB Futures Cleared Contracts falls under Article 2.1.(13)-8.d of the Business Rules, when the JGB Futures Non-Clearing

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<sup>1</sup> cf. Act on Recognition of and Assistance for Foreign Insolvency Proceedings (Act No. 129 of 2000).

Participant to which the Cross Margining User requested brokerage of the JGB Futures Contracts had its obligation accelerated as a matter of course under the AGREEMENT FOR SETTING UP FUTURES/OPTIONS TRADING ACCOUNT.

- (7) When the Designated Parent Company becomes, or is likely to become, insolvent;
- (8) When the Clearing Participant becomes unable to meet the requirements under in Article 9.1. (2). a. or b. of the Business Rules;
- (9) When the Clearing Participant learns that the majority of the voting rights of the shareholders, excluding the voting rights that may only be exercised with respect to limited matters to be resolved at general meetings of shareholders, but including the voting rights attached to shares which are deemed to have voting rights pursuant to Article 879.3 of the Companies Act (Act No. 86 of 2005), or voting rights attached to the equity investment, is held by a single person or another single legal entity or other institution;
- (10) When the Clearing Participant becomes aware of any change in respect of the top ten major shareholders. For this purpose, top ten major shareholders shall be determined by reference to the number of shares held in their own name or in other person's name. Such change shall be reported at each interval prescribed in a notice by JSCC;
- (11) When the Clearing Participant learns that any sanction or punishment is imposed on the Clearing Participant in accordance with the Financial Instruments and Exchange Act, laws and regulations related thereto, and any foreign laws and ordinances equivalent thereto, and in the case of such sanction or punishment under foreign laws and ordinances, when it involves businesses related to IRS Transaction;
- (12) When the Clearing Participant learns that any sanction or punishment is imposed on the Designated Parent Company or Specified Major Shareholders (as such term defined in Article 32.4 of the Financial Instruments and Exchange Act) in accordance with the provisions of the laws and regulations;
- (12)-2 In association with a sanction set forth in Item (11) or (12) above, when the Clearing Participant reports improvement plan or other action plan to an administrative agency;
- (13) If the Clearing Participant is a Financial Instruments Business Operator, when it learns that any of its Officers has fallen under the provisions of Article 29-4.1.(2). a) to i) of the Financial Instruments and Exchange Act; and if the Clearing Participant is a Registered Financial Institution, when it learns the fact (i) that a

decision of the commencement of bankruptcy proceedings was made in respect to any of its Officers supervising the business relating to IRS Transactions, or, if there is no such Officer, in respect of a person responsible for the business relating to IRS Transactions, or (ii) that any Officer supervising the business relating to IRS Transactions, or, if there is no such Officer, a person responsible for the business relating to IRS Transactions, was sentenced to imprisonment or more severe punishment, or punished by a fine pursuant to the Financial Instruments and Exchange Act, or (iii) that any similar event under foreign laws or ordinances occurred;

- (14) When the Clearing Participant learns that any Officer of its Designated Parent Company has fallen under the provisions of Article 29-4.1.(2). a) to i) of the Financial Instruments and Exchange Act;
- (15) When the Clearing Participant learns that the Major Shareholders (as such term defined in Article 29-4.2 of the Financial Instruments and Exchange Act) of a Financial Instruments Business Operator have fallen under the provisions of Article 29-4.1.(5). d) or e) of the Financial Instruments and Exchange Act, or, in the case of a foreign entity which is a Financial Instruments Business Operator, when it learns that those similar to Major Shareholders have fallen under Article 29-4.1.(5). f of the Financial Instruments and Exchange Act;
- (16) When the Clearing Participant learns that the Major Shareholders of its Designated Parent Company have fallen under the provisions of Article 29-4.1.(5). d) or e) of the Financial Instruments and Exchange Act;
- (17) When the Clearing Participant learns that a legal action in a civil case involving an amount in dispute of not less than 50 billion JPY is filed against it or that a court decision is made in the said case, including an appeal, or that a petition for conciliation in the economic value not less than 50 billion JPY is filed against it under the Civil Conciliation Act (Act No. 222 of 1951) or that such conciliation has been closed;
- (18) When the Clearing Participant learns that a legal action in a civil case is filed against its Designated Parent Company or that a court decision is made in the said case including an appeal, or a petition for conciliation under the Civil Conciliation Act is filed against the Designated Parent Company or that such conciliation has been closed;
- (18)-2 In the case of a Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 46-3 of the Financial Instruments and Exchange Act; in the case of a Registered Financial Institution, when it prepared a report regarding its affiliated

companies pursuant to the provisions of Paragraph 2 of Article 48-2 of the Financial Instruments and Exchange Act; or, in the case of a foreign Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 49-3 of the Financial Instruments and Exchange Act;

- (19) When the Clearing Participant prepares documents for the Monitoring Questionnaires pursuant to Article 56-2 of the Financial Instruments and Exchange Act, or, in the case of a Registered Financial Institution, a Statement of Major Accounts prescribed by JSCC in a notification;
- (20) When the Clearing Participant prepares the “document stating the sound management of the company available for public inspection” pursuant to the provisions of Article 57-5.3 of the Financial Instruments and Exchange Act;
- (21) When the Ultimate Designated Parent Company (as such term defined in Article 57-12.3 of the Financial Instruments and Exchange Act) prepares the “document stating the sound management of the company available for public inspection” pursuant to Article 57-5.3 of the Financial Instruments and Exchange Act;
- (22) If the Clearing Participant is a Financial Instruments Business Operator, when it prepares a business status report set forth in Article 46-3 of the Financial Instruments and Exchange Act; or if the Clearing Participant is a Registered Financial Institution, when it prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 19 of the Banking Act (Act No. 59 of 1981), or when the Clearing Participant prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 110 of the Insurance Business Act (Act No. 105 of 1995); or if the Clearing Participant is a Registered Financial Institution which is a foreign entity, when it prepares a report equivalent thereto;
- (23) When the Clearing Participant prepares a business report pursuant to Article 57-3.1 of the Financial Instruments and Exchange Act;
- (24) When the Ultimate Designated Parent Company prepares the business report;
- (25) When the Clearing Participant prepares a financial result overview report or a mid-term financial result overview report prescribed by JSCC in a notification;
- (26) If the Clearing Participant is a Financial Instruments Business Operator which is a foreign entity, when it prepares the balance sheet, the profit and loss statement and any other financial statements set forth in Article 49-3.1 of the Financial Instruments and Exchange Act;

- (27) (Deleted)
- (28) When the Clearing Participant amends the Clearing Brokerage Agreement with a Customer, except for the case where the Clearing Brokerage Agreement is amended pursuant to the provisions of Article 7.4;
- (28)-2 When the Clearing Participant learns that a Customer of the Clearing Participant changes in the trading name or company name, including changes to the trading name or company name in English;
- (29) When a Customer of the Clearing Participant fails to perform any settlement;
- (30) When the Clearing Participant learns that the Designated Parent Company changed the address of its headquarters or principal office;
- (31) When the Clearing Participant filed a notification pursuant to Article 57-2.1 or Article 57-2.6 (only when it falls under Article 57-2.6(2)) of the Financial Instruments and Exchange Act;
- (32) When the Clearing Participant learns that its parent company is designated as Designated Parent Company, or that such designation is cancelled or has become ineffective;
- (33) When the Clearing Participant learns that the Designated Parent Company merged with another entity (excluding the case where the Designated Parent Company ceases to exist as a result of the merger);
- (34) When the Clearing Participant learns that a person newly became, or ceased to be, a Specified Major Shareholder; or
- (35) When Officer supervising the business related to IRS Transactions, or, if there is no such Officer, a person responsible for the business related to IRS Transactions, was changed.
- (36) When the Clearing Participant changes its fiscal year end date.
- 2 When reporting the matter described in Paragraph 1.(22), the Clearing Participant shall attach an audit report prepared by the accounting auditor, or its equivalent which JSCC considers appropriate, concerning the financial statements attached to the business status reports, non-consolidated business operations reports, or other equivalent documents prescribed in Paragraph 1.(22).



3 Where a Clearing Participant is under Parental Guarantee, events prescribed under Article 20 of the Business Rules shall be, in addition to those listed in Paragraph 1 (excluding Item (8)), those listed in the following items, and the Clearing Participant shall report such event using the form prescribed by JSCC together with documents which JSCC deems necessary:

- (1) When any of the events set forth in Paragraph 1.(4), 1.(6), 1.(11) and 1.(17) has occurred on the part of the Parent Company other than the Designated Parent Company;
- (2) When any of the events set forth in Paragraph 1.(19), 1.(22), 1.(25) and 1.(26) has occurred on the part of the Parent Company;
- (3) When the Clearing Participant or its Parent Company no longer satisfies the requirements set forth Article 9.2 of the Business Rules; and
- (4) If the Parent Company is neither a Financial Instruments Business Operator nor a Registered Financial Institution, when any of the following events has occurred on the part of such Parent Company:
  - a. when it suspended or resumed all of its businesses; or
  - b. when it prepared a balance sheet, profit and loss statement or any other financial documents.

4 The provisions of Paragraph 2 shall apply *mutatis mutandis* when the Clearing Participant reports the event set forth in Paragraph 1.(22) or Paragraph 3.(4).b. concerning its Parent Company providing Parental Guarantee to such Clearing Participant.

Article 30-3. Method of Application for Vendor-Initiated Compression of Cleared Contracts

1 A manner to be prescribed by JSCC under Article 53-2-2.1 of the Business Rules shall be the manner of making application through triReduce service provided by TriOptima AB or a service provided by Quantile Technologies Limited.

2 The requirement prescribed under Article 53-2-2.2 of the Business Rules shall be as follows:

- (1) No date during the period from the date of confirmation of the satisfaction of the Vendor-Initiated Compression Conditions to the next JSCC Business Day falls on a Payment Date of the Cleared Contracts for which the Vendor-Initiated Compression is applied and new Cleared Contracts to be executed as a result of Vendor-Initiated Compression or the settlement date of Upfront Fee; and
- (2) New Cleared Contracts to be executed as a result of Vendor-Initiated

Compression satisfy the requirements for Eligible IRS Transactions set forth in Article 9.

3 JSCC shall confirm the satisfaction of the Vendor-Initiated Compression Conditions pursuant to the provisions of Article 53-2-2.2 of the Business Rules by 3:30 p.m. on the day of application.

4 Upon JSCC's confirmation of deposit with or delivery to JSCC of the Required Intraday Margin prescribed in Article 53-2-2.2 of the Business Rules with respect to Customer's Cleared Contracts subject to the application for the Vendor-Initiated Compression, the amount of Customer Buffer allocated to the Customer Account related to such Customer's Cleared Contracts shall be included in the deposited amount for the purpose of confirmation of shortfall.

54 Claims and obligations to be designated by JSCC under Article 53-2-2.3 of the Business Rules are claims and obligations related to Cash Settlement Amount of which deposit or payment related to Foreign Currency Cleared Contracts subject to the application for Vendor-Initiated Compression which have already been due has not been completed at the time of confirmation of the satisfaction of the Vendor-Initiated Compression Conditions set forth in Article 53-2-2.2 of the Business Rules.

65 The time prescribed under Article 53-2-2.4 of the Business Rules shall be 3:30 p.m. on the date of JSCC's confirmation of the satisfaction of the Vendor-Initiated Compression Conditions.

76 The hours prescribed by JSCC during which JSCC does not receive any request for Clearing under Article 53-2-2.5 of the Business Rules shall be from 1:00 p.m. to 3:30 p.m. on the date of Vendor-Initiated Compression, provided that if JSCC confirms a conclusion of Vendor-Initiated Compression during such hours, then JSCC shall promptly resume receipt of notifications of request for Clearing.

87 The Unwind Fee set forth in Article 53-2-2.6 of the Business Rules shall be settled on the second JSCC Business Day following the conclusion of Vendor-Initiated Compression between JSCC and the Clearing Participant which is the party to the Cleared Contracts terminated as a result of the Vendor-Initiated Compression.

98 Notwithstanding the provisions of Paragraphs 3, 65 and 76, JSCC may temporarily change the cut-off time set forth in said Paragraphs as JSCC deems necessary. In such case, JSCC shall notify all Clearing Participants of such temporary change and the new cut-off time.

#### Article 30-4. Method of Application for Member-Initiated Compression of Cleared Contracts

1 A manner to be prescribed by JSCC under Article 53-2-3.1 of the Business Rules shall

be the manner prescribed by JSCC through a notice or public notice.

2 The requirement prescribed under Article 53-2-3.2 of the Business Rules shall be as follows:

- (1) No date during the period from the date of confirmation of the satisfaction of the Member-Initiated Compression Conditions to the next JSCC Business Day falls on a Payment Date of the Cleared Contracts for which the Member-Initiated Compression is applied and new Cleared Contracts to be executed as a result of Member-Initiated Compression;
- (2) New Cleared Contracts to be executed as a result of Member-Initiated Compression satisfy the requirements for Eligible IRS Transactions set forth in Article 9 (other than that set forth in Article 9.(10);
- (3) The Notional Amount of new Cleared Contracts to be executed as a result of Member-Initiated Compression is constant throughout the Term;
- (4) The settlement date of Upfront Fee for the Cleared Contracts for which the Member-Initiated Compression is applied and new Cleared Contracts to be executed as a result of Member-Initiated Compression is on or before the date of confirmation of Member-Initiated Compression Conditions; and
- (5) Within the sum total of an expected future cashflow and other economic terms, those designated by JSCC through a notice or public notice of the Cleared Contracts to terminate as a result of Member-Initiated Compression and new Cleared Contract to be executed as a result of Member-Initiated Compression match.

3 JSCC shall confirm the satisfaction of the Member-Initiated Compression Conditions pursuant to the provisions of Article 53-2-3.2 of the Business Rules promptly after 4:00 p.m. on the day of JSCC's receipt of an application for Member-Initiated Compression made pursuant to the provisions of Article 53-2-3.1 of the Business Rules.

4 Upon JSCC's confirmation of deposit with or delivery to JSCC of the Margin Required to Clear prescribed in Article 53-2-3.2 of the Business Rules with respect to Customer's Cleared Contracts subject to the application for the Member-Initiated Compression, the amount of Customer Buffer allocated to the Customer Account related to such Customer's Cleared Contracts shall be included in the deposited amount for the purpose of confirmation of shortfall.

54 Claims and obligations to be designated by JSCC under Article 53-2-3.3 of the Business Rules are claims and obligations related to Cash Settlement Amount of which deposit or

payment related to Foreign Currency Cleared Contracts subject to the application for Member-Initiated Compression which have already been due has not been completed at the time of confirmation of the satisfaction of the Member-Initiated Compression Conditions set forth in Article 53-2-3.2 of the Business Rules.

~~65~~ The Unwind Fee set forth in Article 53-2-3.5 of the Business Rules shall be settled on the second JSCC Business Day following the conclusion of Member-Initiated Compression between JSCC and the Clearing Participant or the Representative Clearing Participant and the Collaborating Clearing Participants, as applicable, which is(are) the party to the Cleared Contracts terminated as a result of the Member-Initiated Compression.

~~76~~ When JSCC deems it necessary due to causes such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business, JSCC may forgo confirmation of the satisfaction of Member-Initiated Compression Conditions or change the time to confirm the satisfaction of Member-Initiated Compression Conditions. In this case, JSCC shall promptly notify Clearing Participants (or Representative Clearing Participant and Collaborating Clearing Participants) of its determination of forgoing such confirmation or changing time of such confirmation, and the time so changed, without delay.

#### Article 30-4-2. Method of Application for JSCC-Initiated Compression of Cleared Contracts

- 1 To express its intention to JSCC as set forth in Article 53-2-4.1 of the Business Rules, the Clearing Participant shall submit the form prescribed by JSCC by the time designated by JSCC at each occasion for the Cleared Contract to be covered by JSCC-Initiated Compression which shall be Proprietary Cleared Contract or Cleared Contract of Customer in the same Corporate Group as the Clearing Broker.
- 2 A manner to be prescribed by JSCC under Articles 53-2-4.2 and 53-2-4.7 of the Business Rules shall be the manner of designating the Cleared Contracts recorded on the Propriety Account or Customer Account in respect of which it intends to carry out the JSCC-Initiated Compression by using IRS Clearing System.
- 3 A manner to be prescribed by JSCC under Article 53-2-4.4 of the Business Rules shall be the manner of the Clearing Participant submitting the form prescribed by JSCC to JSCC by 10:00 a.m. on the day on which JSCC confirms a satisfaction of JSCC-Initiated Compression Conditions.
- 4 The requirement prescribed under Article 53-2-4.4 of the Business Rules shall be as follows:
  - (1) The Cleared Contracts covered by the application for JSCC-Initiated Compression and the Cleared Contracts to come into effect as a result of JSCC-Initiated Compression are JPY Cleared Contracts with constant Notional Amount

exchanging Fixed Amount and Floating Amount;

- (2) No date during the period from the date of confirmation of the satisfaction of the JSCC-Initiated Compression Conditions to the next JSCC Business Day falls on a Payment Date of the Cleared Contracts for which the JSCC-Initiated Compression is applied and new Cleared Contracts to be executed as a result of the JSCC-Initiated Compression;
  - (3) The upfront fee settlement date in respect of the Cleared Contracts for which JSCC-Initiated Compression is applied and new Cleared Contracts to be executed as a result of JSCC-Initiated Compression is before the deadline for expression of intention related to utilization of JSCC-Initiated Compression;
  - (4) The Cleared Contracts covered by the application for JSCC-Initiated Compression are those cleared before the time separately designated by JSCC at each occasion;
  - (5) New Cleared Contracts to be executed as a result of the JSCC-Initiated Compression satisfy the requirements for Eligible IRS Transactions set forth in Article 9 (other than that set forth in Article 9.1.(3));
- 5 JSCC shall confirm the satisfaction of JSCC-Initiated Compression Conditions pursuant to the provisions of Article 53-2-4.4 of the Business Rules promptly after 4:00 p.m. on the day JSCC designates in the notice.
- 6 Upon JSCC's confirmation of deposit with or delivery to JSCC of the Margin Required to Clear prescribed in Article 53-2-4.4 of the Business Rules with respect to Customer's Cleared Contracts subject to the application for the JSCC-Initiated Compression, the amount of Customer Buffer allocated to the Customer Account related to such Customer's Cleared Contracts shall be included in the deposited amount for the purpose of confirmation of shortfall.
- 76 The Unwind Fee set forth in Article 53-2-4.8 of the Business Rules shall be settled on the second JSCC Business Day following the conclusion of JSCC-Initiated Compression between JSCC and the Clearing Participant which is the party to the Cleared Contracts terminated as a result of the JSCC-Initiated Compression.
- 87 If, at the time when JSCC confirmed the satisfaction of JSCC-Initiated Compression Conditions as set forth in Article 53-2-4.4 of the Business Rules, an application for Per-Trade Compression under Article 53.1 of the Business Rules or an application for Blended Rates Compression under Article 53-2.1 of the Business Rules has been submitted in respect of the Cleared Contracts for which application for JSCC-Initiated Compression has been made, JSCC shall give priority to the application for JSCC-Initiated

Compression.

98 When agreement of all Clearing Participants who applied for JSCC-Initiated Compression pursuant to Article 53-2-4.2 of the Business Rules cannot be obtained as set forth in Article 53-2-4.4 of the Business Rules or when JSCC deems it necessary due to causes such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business or other unavoidable cause, JSCC may forgo confirmation of the satisfaction of JSCC-Initiated Compression Conditions or change the time to confirm the satisfaction of JSCC-Initiated Compression Conditions. In this case, JSCC shall promptly notify Clearing Participants of its determination of forgoing such confirmation or changing time of such confirmation, and the time so changed, without delay.

Article 35-4-4. Matters related to Margin Required to Clear upon Position Transfer or Transfer)

1 Upon confirmation of deposit with or delivery to JSCC of the Margin Required to Clear as prescribed in Article 58-3.1 of the Business Rules, for each of the Carrying Clearing Broker and Successor Clearing Broker, the amount of Customer Buffer allocated to the Customer Account related to the Customer's Cleared Contracts subject to Position Transfer shall be included in the deposited amount for the purpose of confirmation of shortfall.

2 Upon confirmation of deposit with or delivery to JSCC of the Margin Required to Clear as prescribed in Article 58-5.1 of the Business Rules, the amount of Customer Buffer allocated to the Customer Account related to the Transferring Customer (and the Receiving Customer when the transfer is made to a Receiving Customer) shall be included in the deposited amount for the purpose of confirmation of shortfall.

3 Upon confirmation of deposit with or delivery to JSCC of the Margin Required to Clear as set forth in Article 58-7.1 of the Business Rules, the amount of Customer Buffer allocated to the Customer Account related to the Receiving Customer shall be included in the deposited amount for the purpose of confirmation of shortfall.

Article 36-2. Notification of Increase of Required Initial Margin for Customer under Agreement between Clearing Broker and Customer

1 The notification to be prescribed by JSCC as set forth in Article 65-2 of the Business Rules and any notification of a revision to the notified contents shall be given by a submission of the written form prescribed by JSCC to JSCC. In this case, the Clearing Participant intending to give such notification shall have agreed with its Customer subject to such notification on the contents of such notification in advance.

2 When lifting the increase of the Required Initial Margin under Article 65-2 of the Business Rules, the notification shall be given by a submission of the written form prescribed by

JSCC to JSCC. In this case, the Clearing Participant intending to give such notification shall have agreed with its Customer subject to such notification on the contents of such notification in advance.

- 3 The manner of an increase of the Required Initial Margin to be prescribed by JSCC as set forth in Article 65-2 of the Business Rules shall be the manner of adding the amount obtained by multiplying the rate of increase notified by the Clearing Broker in the notification of Paragraph 1 by the Required Initial Margin for the Customer subject to such notification to the Required Initial Margin.
- 4 The amount added to the Required Initial Margin pursuant to the provisions of Paragraph 3 shall be aggregated with the Additional Required Initial Margin after the aggregation pursuant to the provisions of Article 25.

### **Chapter 5-3 Customer Buffer Framework**

#### Article 42-10. Notification of Customer Buffer Utilization

The manner to be prescribed by JSCC as set forth in Articles 84-6.1 and 84-6.2 of the Business Rules shall be the utilization of the IRS clearing system.

#### Article 42-11. Utilization of Customer Buffer

- 1 An allocation of the Customer Buffer to a Customer Account as set forth in Article 84-7.1 of the Business Rules shall be made in the order of JSCC's receipt of the notification of request for brokerage of clearing as set forth in Article 54.1 of the Business Rules, including the case where such provisions apply *mutatis mutandis* under Article 54-2.1 of the Business Rules.
- 2 The timing to be prescribed by JSCC as set forth in Article 84-7.2 of the Business Rules shall be just before 7:00 p.m.

### **Supplementary Provisions**

1. These amendments shall come into force as of May 17, 2021.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, the amendments related to Article 8, Articles 30-3 through 30-4-2, Article 35-4-4, Article 36-2, Article 42-10 and Article 42-11, and Article 11-2, Article 28-12 and Article 28-13 of the Exhibit Form 3 and Exhibit Form 3-2 shall come into force as of the date designated by JSCC which is on or after May 17, 2018.



3. If, in the Clearing Brokerage Agreement between Party A and Party B that have already been concluded in the form of Exhibit Form 3 or Exhibit Form 3-2 before this amendment, Article 54 of Exhibit Form 3 or Exhibit Form 3-2 before amendment has been deleted, Party A and Party B shall be deemed to have agreed, as of the effective date of this amendment, that Party B will not use Application for Exchanging Market-to-Market Difference And Adjustment Amount.

4. If, in the Clearing Brokerage Agreement between Party A and Party B that have already been concluded in the form of Exhibit Form 3 or Exhibit Form 3-2 before amendment, Article 55 of Exhibit Form 3 or Exhibit Form 3-2 before amendment has been deleted, Party A's consent set forth in Article 28-7.1 of such Exhibit Form shall not be deemed to have been given as of the effective date of this amendment.

5. If, in the Clearing Brokerage Agreement between Party A and Party B that have already been concluded in the form of Exhibit Form 3 or Exhibit Form 3-2 before amendment, Article 57 of Exhibit Form 3 or Exhibit Form 3-2 before amendment has been deleted, Party A and Party B shall be deemed to have agreed as of the effective date of this amendment, that Party B does not use JSCC-Initiated Compression.



## <Exhibit Form 3-2> Clearing Brokerage Agreement (English language original format)

### Article 2. Definitions

The terms used herein shall have definitions from the Financial Instruments and Exchange Act (Act No.25 of 1948) (*kin'yuu shouhin torihiki hou*) or the Rules (as defined below) and the following items shall be defined as follows:

- (1) "Cleared Contract subject to Brokerage" means a Cleared Contract (*seisan yakujou*) that comes into effect between JSCC and Party A acting as broker for Party B under Clearing Brokerage pursuant to this Agreement;
- (1)-2 "JPY Cleared Contract subject to Brokerage" means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in Japanese yen;
- (1)-3 "Foreign Currency Cleared Contract subject to Brokerage" means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen;
- (2) "Event of Default" means the events specified in Article 29.1 of this Agreement;
- (3) "Early Termination Amount" means the amount of money to be paid or received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts in accordance with the provision of Article 30 or Article 35.1 of this Agreement;
- (4) "Business Rules" means the business rules concerning the Clearing Service for IRS Transactions established by JSCC, as amended;
- (5) "Rules" shall collectively refer to the Business Rules and other rules set by JSCC that are subordinated to the Business Rules, in whatever name and including the amendments thereto if any;
- (6) "JSCC" means Japan Securities Clearing Corporation;
- (6)-2 "AUD Cleared Contract subject to Brokerage" means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in Australian dollars;
- (7) "JSCC Business Day" means any day other than a Business Holiday;
- (8) "Position Transfer" means a process to have new claims and obligations related to Clearing Brokerage Contracts (*seisan itaku torihiki*) to which Party B is a party

and the Customer's Cleared Contracts (*seisan yakujou (itaku bun)*) corresponding to such Clearing Brokerage Contracts accrue among JSCC, a Successor Clearing Broker and Party B, and to pay or receive money and settle claims and obligations in association therewith, in accordance with the provisions of the Rules;

(9) "Successor Clearing Broker" means a Clearing Participant who has entered into a Clearing Brokerage Agreement with Party B ("Clearing Broker (*jutaku seisan sankasha*)") that assumes the claims and obligations arising as a result of the Position Transfer.;

(9)-2 "Profit and Loss before Default" means the amount of Cash calculated pursuant to the provision of Article 35.2 as the amount to be paid and received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Article 35.1.

(9)-3 "Post-Default Allocated Profit and Loss" means the amount of Cash calculated pursuant to the provision of Article 35.1 as the amount to be paid and received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Article 35.1.

(9)-4 "USD Cleared Contract subject to Brokerage" means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in United States dollars;

(10) "Subject Clearing Brokerage Contract" means a legal relationship between Party A and Party B coming into effect as a result of each Clearing Brokerage hereunder, which has the same economic effect as the Cleared Contract subject to Brokerage coming into effect as a result of the said brokerage.

(10)-2 "Subject Clearing Brokerage Contract (Settlement Type)" (*seisan itaku torihiki (kessai gata)*) means a Subject Clearing Brokerage Contract having the same economic effect as Cleared Contracts subject to Brokerage that is a Cleared Contract (Settlement Type) (*seisan yakujou (kessai gata)*):

(10)-3 "Subject Clearing Brokerage Contract (Collateral Type)" (*seisan itaku torihiki (tampo gata)*) means a Subject Clearing Brokerage Contract having the same economic effect as Cleared Contracts subject to Brokerage that is a Cleared Contract (Collateral Type) (*seisan yakujou (tampo gata)*):

(11) "EUR Cleared Contract subject to Brokerage" means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in Euro;

Article 3-3. Amendment to this Agreement

- 1 If JSCC makes an amendment to the Exhibit Form 3-2 to the Handling Procedures of Interest Rate Swap Business Rules (hereinafter referred to as "Form 3-2") after the execution of this Agreement, this Agreement shall be amended as a matter of course to the terms and conditions of the Form 3-2 as amended as of the effective date of such amendment.
- 2 Upon receipt of JSCC's notification as to an amendment to Form 3-2 pursuant to the provisions of Article 7.2 of the Handling Procedures of Interest Rate Swap Business Rules, Party A shall promptly notify such amended terms and conditions to Party B.

Article 7. Application for Exchanging Mark-to-Market Difference And Adjustment Amount

- 1 When Party B intends to instruct Party A to apply for, or to give instruction to withdraw, Application for Exchanging Mark-to-Market Difference And Adjustment Amount in relation to the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type), it shall notify such effect to Party A by the time agreed between Party A and Party B in the manner agreed between Party A and Party B.
- 2 Upon receipt of the above-mentioned notice, Party A shall apply for or withdraw Application for Exchanging Mark-to-Market Difference And Adjustment Amount as instructed by Party B to JSCC in accordance with the provisions of the Rules.

Deleted

Article 9. Clearing Brokerage Account (*seisan toritsugi kouza*)

- 1 Party A shall set up an account ("Party B Clearing Brokerage Account") to manage the details of the Subject Clearing Brokerage Contracts, Initial Margin (*tousho shoukokin*), Customer Initial Margin (*itaku tousho shoukokin*) and Variation Margin (*hendou shoukokin*) related to such Subject Clearing Brokerage Contracts, Positions (*tategyoku*) of the JGB Futures Contracts (*kokusai shouken sakimono torihiki*) covered under Cross Margining (*kurosumajin seido*) on Party B's book, Mark-to-Market Difference (*soneki sakin*) and other Funds to be paid or received between Party A and Party B in accordance with this Agreement and the Rules.
- 2 Upon request of Party B, Party A may set up multiple accounts dividing the Party B Clearing Brokerage Account.

Article 11-2. Increase of Required Initial Margin

- 1 With an agreement between Party A and Party B, Party A may give a notification of an increase of the Required Initial Margin related to the Cleared Contracts subject to Brokerage related to Party B and a notification related to change of the notified matter as set forth in Article 65-2 of the Business Rules to JSCC in a manner prescribed in the Rules.

2 When lifting the increase of the Required Initial Margin subject to the notification of Paragraph 1 with an agreement between Party A and Party B, Party A shall notify such effect to JSCC in a manner prescribed in the Rules.

## Section 2 Cash Settlement Amount~~Variation Margin~~

### Article 20. Variation Margin

1 Party A and Party B shall pay or receive Variation Margin in respect of the relevant currency of the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) on the day specified below according to the currency of Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type):

- (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
- (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day

2 The required amount of Variation Margin for Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) shall be calculated by JSCC in accordance with the Rules and Party A shall notify Party B of such required amount.

### Article 20-2. Mark-to-Market Difference

1 Party A and Party B shall pay or receive Cash in an amount equivalent to the Mark-to-Market Difference in the relevant currency of the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) on the day specified below according to the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in the below-listed currency:

- (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
- (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day

2 The required amount of Mark-to-Market Difference for Cleared Contracts subject to Brokerage that is Cleared Contract (Settlement Type) shall be calculated by JSCC in accordance with the Rules, and Party A shall notify Party B of such amount.

### Article 21. Payment or Receipt of Variation Margin

1 When Party A is due to pay to JSCC Variation Margin in relation to Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type), Party B shall pay to Party A Cash in an amount equivalent to the Variation Margin by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of Variation Margin, or, for Variation Margin related to Foreign Currency Cleared Contracts, on the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Variation Margin, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place

operational procedures for such payment, the payment of Variation Margin shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of Variation Margin, or, in the case of Variation Margin related to Foreign Currency Cleared Contracts, on the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.

- 2 When Party A receives from JSCC Variation Margin in respect of Cleared Contracts subject to Brokerage, Party A shall pay Cash in the amount equivalent to said Variation Margin to Party B by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

#### Article 21-2. Payment or Receipt of Mark-to-Market Difference

1 When Party A is due to pay to JSCC Mark-to-Market Difference in relation to Cleared Contracts subject to Brokerage that is Cleared Contracts (Settlement Type), Party B shall pay to Party A Cash in an amount equivalent to the Mark-to-Market Difference by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the Mark-to-Market Difference, or, for Mark-to-Market Difference related to Foreign Currency Cleared Contracts on the first JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Mark-to-Market Difference, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of the Mark-to-Market Difference to Party A shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of Mark-to-Market Difference, or, in the case of Mark-to-Market Difference related to Foreign Currency Cleared Contracts, the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.

2 When Party A receives from JSCC Mark-to-Market Difference in respect of Cleared Contracts subject to Brokerage of Cleared Contract (Settlement Type), Party A shall pay to Party B Cash in an amount equivalent to such Mark-to-Market Difference by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

#### Article 22. Payment or Receipt of Interest on Variation Margin

1 Party A and Party B shall pay or receive Cash equivalent to interest on Variation Margin in respect of the relevant currency of the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) in accordance with this Agreement and the Rules on the JSCC Business Day specified below according to the currency of Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type):

- (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
- (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both

## JSCC Business Day and Foreign Currency Home Business Day

- 2 The amount of interest on Variation Margin for Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) shall be calculated by JSCC pursuant to the provisions of the Rules, and Party A shall notify Party B of such amount.
- 3 When Party A is due to pay to JSCC interest on Variation Margin, Party B shall pay to Party A Cash in the amount equivalent to said interest by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the interest on Variation Margin, or, for interest on Variation Margin related to Foreign Currency Cleared Contracts, on the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such interest on Variation Margin, and in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for its punctual payment in accordance with the first sentence of this paragraph, the payment of interest on Variation Margin shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of interest on Variation Margin, or, in the case of interest on Variation Margin related to Foreign Currency Cleared Contracts, the first JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.
- 4 When Party A receives from JSCC interest on Variation Margin, Party A shall pay to Party B Cash in the amount equivalent to said interest by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

## Article 22-2. Payment or Receipt of Adjustment Amount related to Mark-to-Market Difference

- 1 Party A and Party B shall pay or receive Cash equivalent to Adjustment Amount related to Mark-to-Market Difference (*soneki sakin ni kakaru chouseikin*) in respect of the relevant currency of the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in accordance with this Agreement and the Rules on the JSCC Business Day specified below according to Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in the below-listed currency:
  - (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
  - (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day
- 2 The amount of Adjustment Amount related to Mark-to-Market Difference for Cleared Contracts subject to Brokerage which are Cleared Contracts (Settlement Type) shall be calculated by JSCC pursuant to the provisions of the Rules, and Party A shall notify Party B of such amount.

3 When Party A is due to pay Adjustment Amount related to Mark-to-Market Difference to JSCC, Party B shall pay to Party A Cash in an amount equivalent to said amount by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the Adjustment Amount related to Mark-to-Market Difference, or, in the case of the Adjustment Amount related to Mark-to-Market Difference for Foreign Currency Cleared Contracts, such cut-off time on the first JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Adjustment Amount related to Mark-to-Market Difference, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of the Adjustment Amount related to Mark-to-Market Difference shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of the Adjustment Amount related to Mark-to-Market Difference, or, in the case of Adjustment Amount related to Mark-to-Market Difference for Foreign Currency Cleared Contracts, the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.

4 When Party A receives from JSCC Adjustment Amount related to Mark-to-Market Difference, Party A shall pay to Party B Cash in an amount equivalent to said Adjustment Amount related to Mark-to-Market Difference by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

#### Article 23. Right to Claim Return of Variation Margin

Party A and Party B may not claim the other party to return Variation Margin in relation to Subject Clearing Brokerage Contracts (Collateral Type) except for payment and return in accordance with the provisions of this Agreement and the Rules.

#### Article 26-8. Application for JSCC-Initiated Compression of Cleared Contract subject to Brokerage

1 When, in respect of Cleared Contract subject to Brokerage, Party B intends to give instruction to express its intention of utilization of the JSCC-Initiated Compression, give instruction to apply for the JSCC-Initiated Compression in respect of its Cleared Contract subject to Brokerage, give instruction to withdraw its application or give instruction to agree to the JSCC-Initiated Compression, Party B shall notify Party A of such intention in the manner and by the date and time separately agreed between Party A and Party B.

2 Upon receipt of the notice set forth in Paragraph 1, Party A shall express the intention of utilization of the JSCC-Initiated Compression, apply for the JSCC-Initiated Compression in respect of the Cleared Contract subject to Brokerage, withdraw the relevant application or agree to the JSCC-Initiated Compression to JSCC as stated in such notice, pursuant to the provisions of the Rules.



Article 28 Termination of Subject Clearing Brokerage Contract as a Result of Per Trade Compression or other Compressions

When a Cleared Contract subject to Brokerage is terminated as a result of a Per Trade Compression, a Blended Rates Compression, a Vendor-Initiated Compression, ~~or~~ a Member-Initiated Compression or a JSCC-Initiated Compression, the relevant Subject Clearing Brokerage Contract shall also terminate automatically, and the claims and obligations under the Subject Clearing Brokerage Contracts, other than those related to Cash Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of JSCC's confirmation of the satisfaction of Per Trade Compression Conditions, Blended Rates Compression Conditions ~~in accordance with the provisions of the Rules~~, Vendor-Initiated Compression Conditions, ~~or~~ Member-Initiated Compression Conditions or JSCC-Initiated Compression Conditions has not been completed, shall cease to exist and have no future effect in accordance with the provisions of the Rules. In such case, Cash remain unsettled between Party A and Party B with respect to such Subject Clearing Brokerage Contract, if any, shall be promptly settled between Party A and Party B.

Article 28-2. Conclusion of Subject Clearing Brokerage Contracts by Per Trade Compression and other Compressions

When new Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) come into effect between Party A and JSCC as a result of the Per Trade Compression, the Blended Rates Compression, the Vendor-Initiated Compression, ~~or~~ the Member-Initiated Compression or the JSCC-Initiated Compression, the Subject Clearing Brokerage Contracts (Collateral Type) corresponding to such Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) shall come into effect between Party A and Party B at the same time.

Chapter 4-2 Position Transfer of Clearing Brokerage Contracts

Article 28-3. Position Transfer of Subject Clearing Brokerage Contract to Other Clearing Participant

1 Subject to the provisions of the Rules, Party B may transfer the below listed claims and obligations under the Cleared Contracts subject to Brokerage with respect to which Party B desires a Position Transfer to the Successor Clearing Broker ("Relevant Cleared Contract subject to Brokerage") entirely to the Successor Clearing Broker by delivering Position Transfer Request in the form prescribed by JSCC to JSCC via Successor Clearing Broker, and if JSCC accepts such request for Position Transfer:

- (1) Claims and obligations of which the terms and conditions designated in the Rules are identical to the claims and obligations under to the Relevant Cleared Contract subject to Brokerage between Party A and JSCC existing



immediately before the termination of the Relevant Cleared Contract subject to Brokerage pursuant to the provision of Paragraph 5 below; and

- (2) Claims and obligations of which the terms and conditions designated in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contract between Party A and Party B existing immediately before the termination of the Subject Clearing Brokerage Contract corresponding to the Relevant Cleared Contract subject to Brokerage pursuant to the provision of Paragraph 5 below.
- 2 Party A and Party B hereby agree in advance that, when the claims and obligations listed in Paragraph 1 related to all Cleared Contracts subject to Brokerage for Party B are transferred to the Successor Clearing Broker pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim return pursuant to the provision of Article 17 of this Agreement will be deemed as Initial Margin that has been deposited with JSCC by Party B via the Successor Clearing Broker as agent at the time of such Position Transfer, except for those for which notification to the effect of treating it as Initial Margin deposited with JSCC through Party A acting as agent has been given pursuant to the provisions of the Rules.
- 3 When Party B makes request to JSCC of the Position Transfer pursuant to the provision of Paragraph 1, Party B shall request the Successor Clearing Broker to accept such Position Transfer and obtain its consent in advance. Then, Party B shall notify Party A to the effect that it will request such Position Transfer. In this case, Party B shall deposit and pay to Party A the Margin Required to Clear related to the Cleared Contract subject to Brokerage to be paid or received in association with the Position Transfer and other amount to be paid or received between Party A and Party B in relation to the Cleared Contract subject to Brokerage pursuant to the provisions of the Rules, excluding Initial Margin deemed to have been deposited with JSCC via the Successor Clearing Broker acting as agent pursuant to the provision of Paragraph 2, by the date and time agreed between Party A and Party B that is at or before the cut-off time for delivery to JSCC, in the manner agreed between Party A and Party B.
- 4 When JSCC has accepted the request for the Position Transfer made pursuant to the provision of Paragraph 1, the claims and obligations specified in Paragraph 1 shall accrue among JSCC, Successor Clearing Broker and Party B at the time of such acceptance. In this case, claims and obligations between Successor Clearing Broker and JSCC shall be treated as those under the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) while claims and obligations between Successor Clearing Broker and Party B shall be treated as those under the Clearing Brokerage Contracts (Collateral Type).
5. When the Position Transfer is completed among JSCC, Successor Clearing Broker and

Party B pursuant to the provisions of the Rules, the Relevant Cleared Contracts subject to Brokerage between JSCC and Party A and the Subject Clearing Brokerage Contracts corresponding thereto between Party A and Party B shall terminate as a matter of course at the time when the Position Transfer becomes effective, and the claims and obligations under the Relevant Cleared Contracts subject to Brokerage and the Subject Clearing Brokerage Contracts corresponding thereto, other than those related to Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of the confirmation, pursuant to the provisions of the Rules, of the deposit with or payment to JSCC of the Margin Required to Clear has not been completed, shall cease to exist and have no future effect pursuant to the provisions of the Rules.

Article 28-4. Position Transfer of Clearing Brokerage Contracts from other Clearing Participant

- 1 When Party B requests the Position Transfer of the Customer's Cleared Contracts of Party B's another Clearing Broker coming into effect as a result of its Clearing Brokerage for Party B (referred to as "Carrying Clearing Broker" in this Article) and other claims and obligations set forth in the Rules ("Position Transfer Cleared Contracts" (*shoukei taishou seisan yakujou tou*)) to Party A, and Party A accepts such request and submits such request form to JSCC pursuant to the provisions of the Rules, the Position Transfer of the Position Transfer Cleared Contracts to Party A shall come into effect pursuant to the provisions of the Rules.
- 2 When Party A accepts the Position Transfer pursuant to the provision of Paragraph 1 and has received the request form therefor from Party B in accordance with the Rules, it shall submit such request form to JSCC by 1:00 p.m. on the JSCC Business Day which is the desired date of Position Transfer. Such request form shall state, among other things, the effect that Party A has received the request to accept the Position Transfer, it has consented to accept such Position Transfer and it is submitting the request form for such Position Transfer to JSCC; and that Party B notified the Carrying Clearing Broker of such Position Transfer and Party B requests the Position Transfer to JSCC.
- 3 If the Carrying Clearing Broker's Position Transfer Cleared Contracts are transferred to Party A pursuant to the provision of Paragraph 1, the Carrying Clearing Broker's Position Transfer Cleared Contracts shall be deemed as the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) and the Subject Clearing Brokerage Contracts (Collateral Type) for the purpose of this Agreement and the provisions of this Agreement shall apply accordingly.
- 4 Party A and Party B hereby agree in advance that if the Carrying Clearing Broker's Position Transfer Cleared Contracts are transferred to Party A pursuant to the provision of Paragraph 1 and the claims and obligations arising from all Customer's Cleared

Contracts are transferred, the Initial Margin in which Party B has the right to claim return pursuant to the provisions of the Clearing Brokerage Agreement between Party B and the Carrying Clearing Broker shall be deemed as Initial Margin deposited with JSCC by Party B via Party A acting as its agent at the time of such Position Transfer, except for those for which notification to the effect of treating it as Initial Margin deposited with JSCC through Carrying Clearing Broker acting as agent has been given pursuant to the provisions of the Rules.

Article 28-5. Transfer of Subject Clearing Brokerage Contracts to Party A, ~~Other Clearing Participant~~ or Other Customer

- 1 Subject to the provisions of the Rules, Party B may Transfer the Subject Clearing Brokerage Contracts to Party A, any other Clearing Participant (referred to as “Transferee Clearing Participant” in this Article) or any other Customer (*seisan itakusha*) (referred to as “Transferee Customer” in this Article).

For the purpose of this Article, “Transfer” means ~~a process~~ (i) to have a Subject Clearing Brokerage Contract and the claims and obligations under the Subject Clearing Brokerage Contract, other than those related to Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts ~~subject to Brokerage~~ due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, cease to exist ~~and have no future effect~~ pursuant to the provisions of the Rules, or (ii) to have a Subject Clearing Brokerage Contract and the claims and obligations under the Subject Clearing Brokerage Contract, other than those related to Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear ~~pursuant to the provisions of the Rules~~ has not been completed, cease to exist ~~and have no future effect~~ pursuant to the provisions of the Rules and simultaneously to have a new legal relationship Clearing Brokerage Contract with the same terms and conditions come into effect between the Transferee Customer and the Clearing Broker for the Transferee Customer ~~another Customer for which Party A provides Clearing Brokerage service and Party A.~~

- 2 Before requesting a Transfer of a Subject Clearing Brokerage Contract, Party B shall agree in advance with Party A, and the Transferee Clearing Participant, if the Subject Clearing Brokerage Contract is transferred to a Transferee Clearing Participant, or Party A and the Transferee Customer and its Clearing Broker, (if the Subject Clearing Brokerage Contract is ~~t~~Transferred to a Transferee Customer), on the settlement of claims and obligations between them ~~Party A and Party B, or among Party A, Party B and the Transferee Customer and its Clearing Broker (if the Subject Clearing Brokerage Contract is Transferred to a Transferee Customer),~~ arising from the Transfer and other necessary

matters.

#### Article 28-6. Transfer of Clearing Brokerage Contracts from Other Customer

- 1 Subject to the provisions of the Rules, Party B may accept a Transfer from another Customer ~~for whom Party A provides Clearing Brokerage service~~ (referred to as "Transferor Customer" in this Article) of legal relationship between the Transferor Customer and ~~its Clearing Broker~~ Party A that are similar to Clearing Brokerage Contracts (referred to as "Transferred Clearing Brokerage Contract").

For the purpose of this Article, "Transfer" means ~~a process to have Transferred Clearing Brokerage Contract~~ legal relationship between another Customer for whom Party A provides Clearing Brokerage service and Party A, other than the claims and obligations related to Settlement Amounts for which deposit or payment under the Customer's Cleared Contracts of the Clearing Broker for the Transferor ~~such other Customer on the book of such Transferor Customer~~ related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, cease to exist ~~and have no future effect~~ pursuant to the provisions of the Rules and simultaneously to have a new legal relationship as the Clearing Brokerage Contracts (Collateral Type) with the same terms and conditions come into effect between Party A and Party B.

- 2 Before accepting Transfer of the Transferred Clearing Brokerage Contract from the Transferor Customer, Party B shall agree in advance with Party A and the Transferor Customer (or, when accepting transfer from the Transferor Customer whose Clearing Broker is a Clearing Participant other than Party A, the Transferor Customer and the Clearing Broker for the Transferor Customer) on the settlement of claims and obligations among ~~them~~ Party A, Party B and the Transferor Customer arising from the Transfer and other necessary matters.

#### Article 28-6-2. Transfer of Cleared Contracts from Party A

- 1 Subject to the provisions of the Rules, Party A may transfer to Party B the Cleared Contracts between Party A and JSCC on Party A's proprietary account.

For the purpose of this Article, "Transfer" means a process to have a new legal relationship as a Clearing Brokerage Contract (Collateral Type) with ~~having~~ the same economic effect as the Cleared Contracts on Party A's proprietary account, other than the claims and obligations related to Settlement Amounts for which deposit or payment under the Cleared Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, come into effect between Party A and Party B and deem such Cleared Contracts as Cleared Contracts subject to

Brokerage which are Cleared Contracts (Collateral Type) between JSCC and Party A as a result of its Clearing Brokerage for Party B under the Clearing Brokerage.

- 2 Before requesting a Transfer of the Cleared Contracts to Party B, Party A shall agree in advance with Party B on the settlement of claims and obligations between Party A and Party B arising from the Transfer and other necessary matters.

Article 28-6-3. Transfer of Cleared Contracts from Other Clearing Participant

1 Subject to the provisions of the Rules, Party B may accept a transfer from a Clearing Participant other than Party A (referred to as "Transferor Clearing Participant" in this Article) the Cleared Contracts between the Transferor Clearing Participant and JSCC on the Transferor Clearing Participant's proprietary book.

For the purpose of this Article, "transfer" means to have a new legal relationship having the same economic effect as the Cleared Contracts on the Transferor Clearing Participant's proprietary book, other than the claims and obligations related to settlement amounts for which deposit or payment under the Cleared Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, come into effect between Party A and Party B and deem such Cleared Contracts as Cleared Contracts subject to Brokerage between JSCC and Party A acting as an agent for Party B under the Clearing Brokerage.

2 When intending to accept a transfer of Cleared Contracts from a Transferor Clearing Participant, Party B shall agree in advance with Party A and the Transferor Clearing Participant on the settlement of claims and obligations among them arising from the transfer and other necessary matters.

Article 28-9. Legal Relationship related to Cross Margined JGB Futures Cleared Contracts

- 1 When the claims and obligations with the same terms and conditions as those of Cross Margined JGB Futures Cleared Contract that is recorded on Party B Clearing Brokerage Account between the Cross Margining Requester and JSCC came into existence between Party A and JSCC pursuant to the provisions of the Rules, simultaneously with the time when such claims and obligations come into effect, the legal relationship having the same economic effect as a Subject Clearing Brokerage Contract which would come into effect if such claims and obligations come into effect as a result of Party A's Clearing Brokerage for Party B under this Agreement shall arise between Party A and Party B.
- 2 When JSCC conducts offsetting sale or offsetting purchase set forth in Article 28-10.1 of this Agreement, the legal relationship which has arisen in accordance with the provision of Paragraph 1 shall cease to exist and have no future effect as of the time of such offsetting sale or offsetting purchase

Article 30. Termination of Subject Clearing Brokerage Contracts upon Occurrence of Event of Default

- 1 If an Event of Default occurs and is continuing in respect of Party B, Party A may designate the day on which all Subject Clearing Brokerage Contracts shall terminate before the Termination Date of Cleared Contracts subject to Brokerage pursuant to the provisions of this Article ("Early Termination Date"). The designation of the Early Termination Date shall take effect by giving Party B a not more than 20 days prior notice specifying the relevant Event of Default, provided that if Party A and Party B separately agree that a certain date shall be designated in advance as the Early Termination Date applicable to all or part of the Events of Default, such agreement shall prevail.
- 2 All Subject Clearing Brokerage Contracts outstanding as of the Early Termination Date shall be automatically terminated without further notice from Party A or Party B on the Early Termination Date.
- 3 Notwithstanding the provisions of Paragraphs 1 and 2, upon occurrence of the Event of Default set forth in Article 29.1.(3).d. or Article 29.1.(4) in respect of Party B, all Subject Clearing Brokerage Contracts shall be automatically terminated immediately before the occurrence of such Event of Default without further notice from Party A or Party B and the date of termination of such Subject Clearing Brokerage Contracts shall be the Early Termination Date.
- 4 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provisions of Paragraphs 2 and 3, Party A or Party B shall notify JSCC to that effect in advance or without delay after the termination.
- 5 If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 2 or 3, the Cleared Contracts subject to Brokerage corresponding to the Subject Clearing Brokerage Contracts shall remain in force as the Cleared Contracts (Collateral Type) between JSCC and Party A on its proprietary account.
- 6 On or after the Early Termination Date, Party A may execute one or more transactions to hedge, entirely or in part, loss which Party A may incur as a result of the Cleared Contracts to survive on its proprietary account pursuant to the provision of Paragraph 5 ("Risk Mitigating Transactions"). In such case, the Risk Mitigating Transactions shall be the IRS Transactions that satisfy the criteria set forth in Article 9 of the Handling Procedures of Interest Rate Swap Business Rules (*kinri suwappu torihiki seisan gyoumu ni kansuru gyoumu houhousho no toriatsukai*), and shall cover loss which Party A may suffer from all or a part of such Cleared Contracts. Counterparty to Risk Mitigating Transactions shall be another Clearing Participant of JSCC or a Customer of such other Clearing Participant.
- 7 If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 2 or 3, Party A and Party B shall pay or receive the Early Termination Amount

with respect to each of such Subject Clearing Brokerage Contracts. In this case, the Early Termination Amount shall be the sum of the amounts stated in Items (1) through (3) below less the amount stated in Item (4). If the amount so obtained is positive, the Early Termination Amount shall be paid by Party A to Party B and if negative, it shall be paid by Party B to Party A:

- (1) The total amount of the following:
  - a. The total amount of upfront fees that Party A received in respect of the Risk Mitigating Transactions executed by Party A, less the total amount of upfront fees that Party A paid in respect of such Risk Mitigating Transactions;
  - b. The total amount of upfront fees that Party A received in respect of the IRS Transactions set forth in Article 28-10.2, less the total amount of upfront fees that Party A paid in respect of such IRS Transactions.

For the purpose of this item, in respect of the upfront fee to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the date of execution of the Risk Mitigating Transactions or the IRS Transactions set forth in Article 28-10.2.

- (2) The total amount of Net Present Values (*shoumi genzai kachi*) calculated with respect to the transactions listed in a. and b. below as of the date specified in such a. and b.:
  - a. Risk Mitigating Transactions and Cleared Contracts subject to Brokerage covered by Risk Mitigating Transactions:  
Date of execution of such Risk Mitigating Transactions;
  - b. Cleared Contracts subject to Brokerage other than those specified in a. above:  
JSCC Business Day immediately preceding the date of the notice set forth in Paragraph 8;

For the purpose of this item, in respect of the Net Present Value calculated in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the date mentioned in such a. and b., as applicable.

- (3) The sum of the amounts specified in a. through c. below with respect to the transactions specified in a. through c. below:



- a. Subject Clearing Brokerage Contracts outstanding between Party A and Party B:  
The sum of Fixed Amounts Floating Amounts and other payment amounts due from Party A to Party B on or before the Early Termination Date which remain unpaid; less the sum of Fixed Amounts, Floating Amounts and other payment amounts, that are due from Party B to Party A on or before the Early Termination Date which remain unpaid;
- b. Cleared Contracts subject to Brokerage covered by Risk Mitigating Transactions:  
The sum of Party A's receivable of Fixed Amounts, Floating Amounts and other payment amounts; less the sum of Party A's payable of Fixed Amounts, Floating Amounts and other payment amounts, that are due during the period from the Early Termination Date to the date of execution of such Risk Mitigating Transactions;
- c. Cleared Contracts subject to Brokerage other than those specified in b. above:  
The sum of Party A's receivable of Fixed Amounts, Floating Amounts and other payment amounts; less the sum of Party A's payable of Fixed Amounts, Floating Amounts and other payment amounts, that are due during the period from the Early Termination Date to the date on which the notice set forth in Paragraph 8 is given.

For the purpose of this item, in respect of the Fixed Amounts, Floating Amounts and other payment amounts to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the Early Termination Date.

(4) In addition to those listed in Items (1) through (3), if Party A suffers loss, or incurs costs or liabilities in relation to the settlement of the Cleared Contracts subject to Brokerage, the amount equivalent to such loss, costs or liabilities. For the purpose of this item, in respect of the amount to be paid or received in any currency other than Japanese yen, the above amount shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the Early Termination Date.

8 As soon as possible on or after the Early Termination Date, Party A shall execute the Risk Mitigating Transactions set forth in Paragraph 6 and calculate the Early Termination Amount set forth in Paragraph 7. After the calculation of such Early Termination Amount, Party A shall give notice of breakdown of such Early Termination Amount, including the



details of the Risk Mitigating Transactions and profits and losses arising from such Risk Mitigating Transactions, and information used for calculation of the Early Termination Amount obtained pursuant to the provision of Paragraph 7, to Party B.

- 9 If Party A and Party B have agreed to adopt an alternative description of the event set forth in Article 29.1.(3).d. of this Agreement pursuant to the provision of Article 29.3 of this Agreement, the provision of Paragraph 3 shall be replaced with the following.

[Notwithstanding the provisions of Paragraphs 1 and 2, if the Event of Default set forth in Article 29.1.(3).d. or Article 29.1.(4) of this Agreement occurs and is continuing in respect of Party B, Party A may designate the Early Termination Date of the Subject Clearing Brokerage Contracts within 20 days after the occurrence of such Event of Default (referred to as “Early Termination Date Designation Period” in this paragraph). In this case, the Early Termination Date shall be designated by such method and shall have such effect as set forth in the provisions of Paragraphs 1 and 2. If Party A does not designate the Early Termination Date within the Early Termination Date Designation Period, all Subject Clearing Brokerage Contracts shall be automatically terminated as of the expiry of the Early Termination Date Designation Period without further notice from Party A or Party B.]

Article 32. Close-Out Netting of Claims and Obligations upon Termination of Subject Clearing Brokerage Contracts

If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, all monetary obligations between Party A and Party B under this Agreement outstanding as of the Early Termination Date, including the obligation to pay the Early Termination Amount upon the termination of the Subject Clearing Brokerage Contracts pursuant to the provision of Article 30.7 of this Agreement, the obligation to return Customer Initial Margin and Variation Margin pursuant to the provision of Article 31 of this Agreement, the obligation to pay unpaid Fixed Amount, ~~and~~ Floating Amount and Mark-to-Market Difference and any and all other monetary obligations outstanding between Party A and Party B, shall be settled as follows:

- (1) The total Early Termination Amounts payable by Party A to Party B in respect of all Subject Clearing Brokerage Contracts terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, total Variation Margin to be returned from Party A to Party B and other monetary obligations of Party A owed to Party B outstanding as of the Early Termination Date, excluding the obligations to return Customer Initial Margin under the provision of Article 31 of this Agreement, (“Party A’s Obligations at Early Termination Date”) shall be netted with the total Early Termination Amounts payable by Party B to Party A in respect of the Subject Clearing Brokerage Contracts, total Variation Margin to be returned from Party B to Party A and other monetary obligations of Party B owed to Party A outstanding

as of the Early Termination Date (“Party B’s Obligations at Early Termination Date”). For the purpose of this item, in respect of the Variation Margin or monetary obligations to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amounts converted using the quotes of foreign exchange rate on the Early Termination Date;

- (2) As a result of netting pursuant to the provision of Item (1), if Party B’s Obligations at Early Termination Date remain, the amount of Customer Initial Margin deposited with Party A by Party B, or, if Customer Initial Margin consists of Eligible Securities Collateral, but Party A will not return Cash equivalent to the market value of the Eligible Securities Collateral as set forth in the provision of Article 31 of this Agreement, the liquidation proceeds of Eligible Securities Collateral, shall be deducted from the remaining amount of Party B’s Obligations at Early Termination Date. As a result, if the amount of the Party B’s Obligations at Early Termination Date becomes negative, Party A shall have an obligation to immediately return to Party B the amount equal to the absolute value of such negative value.
- (3) As a result of netting pursuant to the provision of Item (2), if the Party B’s Obligations at Early Termination Date still remain, the amount of Initial Margin deposited by Party B with JSCC, or, if Initial Margin consists of Eligible Securities Collateral, the proceeds from liquidation of Eligible Securities Collateral by Party A, shall be deducted from the remaining amount of Party B’s Obligations at Early Termination Date. As a result, if the amount of the Party B’s Obligations at Early Termination Date becomes negative, Party B may request the return from Party A of Initial Margin delivered from JSCC up to the amount equal to the absolute value of such negative value.
- (4) As a result of netting pursuant to the provision of Item (3), if the Party B’s Obligations at Early Termination Date still remain, that remaining amount shall constitute the obligations of Party B owed to Party A arising from the termination of all Subject Clearing Brokerage Contracts (referred to as “Party B’s Final Obligations” in this Article) and the claims in the Party B’s Final Obligations shall constitute the claims of Party A to Party B.
- (5) As a result of netting pursuant to the provision of Item (1), if the Party A’s Obligations at Early Termination Date remain, the sum of the absolute value of the Party A’s Obligations at Early Termination Date and the amount of the obligation to return Customer Initial Margin pursuant to the provision of Article 31 of this Agreement shall constitute the obligations of Party A owed to Party B arising from the termination of all Subject Clearing Brokerage Contracts (referred to as “Party A’s Final Obligations” in this Article) and the claims in the Party A’s Final Obligations shall constitute the claims of Party B to Party A.

Article 34. Position Transfer of Outstanding Contracts

- 1 On the termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement, Party B may cause the claims and obligations listed below (collectively "Outstanding Contracts") to be transferred through Position Transfer as a whole, to one or more Successor Clearing Brokers through the submission of a request to JSCC in the form prescribed by JSCC via the Successor Clearing Broker(s), and if JSCC accepts such request for the Position Transfer, in accordance with the Rules. This may only be done during the period specified in the Rules:
  - (1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Cleared Contracts subject to Brokerage between Party A and JSCC which are in effect immediately before the termination of such Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement; and
  - (2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contracts between Party A and Party B which are in effect immediately before the termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement.
- 2 Party A and Party B hereby agree in advance that when the Outstanding Contracts are transferred to the Successor Clearing Broker(s) pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim the return pursuant to the provision of Article 17 of this Agreement shall be deemed as Initial Margin deposited with JSCC through the Successor Clearing Broker(s) acting as agent for part B at the time of such Position Transfer.
- 3 Where Party B requests to JSCC the Position Transfer of the Outstanding Contracts pursuant to the provision of Paragraph 1, Party B shall request the Successor Clearing Broker for the Position Transfer and shall obtain the acceptance of the Successor Clearing Broker in advance.
- 4 When the Outstanding Contracts are transferred to the Successor Clearing Broker(s), the claims and obligations arising as a result of the Subject Clearing Brokerage Contracts between Party A and Party B as well as the claims and obligations resulting from Variation Margin paid or received between them in relation to such Subject Clearing Brokerage Contracts, excluding the obligations of Party A that is due at the time of the declaration of the Default in respect of Party A and the obligations of Party A related to Unpaid Amount set forth in Article 85-5.1 of the Business Rules, and the claims and obligations relating to Customer Initial Margin in the amount equal to those deemed to have been deposited with JSCC by Party B through the Successor Clearing Broker acting as agent for Party B pursuant to the provision of Paragraph 2, shall cease to exist and have no future effect in

accordance with the Rules.

~~5 Notwithstanding the provision of Paragraph 1, when a notification is given by Party A to JSCC to the effect that Party B is a Cross Margining User in accordance with the provision of Article 28-7.2 of this Agreement, Party B may not request Position Transfer as set forth in Paragraph 1.~~

Article 34-2. Position Transfer of Outstanding Cross Margined Contracts

1 Notwithstanding the provision of Article 34, when the legal relationship with the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 comes into existence as a result of a Default of Party A, Party B may cause the claims and obligations listed below (collectively the "Outstanding Cross Margined Contracts") to be transferred through Position Transfer as a whole to one or more Successor Clearing Brokers through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the Successor Clearing Broker(s) and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:

(1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Cleared Contracts subject to Brokerage between Party A and JSCC which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract coming into existence pursuant to the provision of Article 28-9.1 of this Agreement;

(2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contracts between Party A and Party B which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts coming into existence pursuant to the provision of Article 28-9.1 of this Agreement.

2 Party A and Party B hereby agree in advance that when the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s) pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim the return pursuant to the provision of Article 17 of this Agreement shall be deemed as Initial Margin deposited with JSCC through the Successor Clearing Broker(s) acting as agent of Party B at the time of such Position Transfer.

3 Where Party B requests to JSCC the Position Transfer of the Outstanding Cross Margined Contracts pursuant to the provision of Paragraph 1, Party B shall request to the

Successor Clearing Broker the Position Transfer and shall obtain the consent of the Successor Clearing Broker in advance.

4 When the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s), the claims and obligations arising as a result of the Subject Clearing Brokerage Contracts between Party A and Party B as well as the claims and obligations resulting from Variation Margin paid or received between them in relation to such Subject Clearing Brokerage Contracts, excluding the obligations of Party A that is due at the time of the declaration of the Default in respect of Party A and the obligations of Party A related to Unpaid Amount set forth in Article 85-5.1 of the Business Rules, and the claims and obligations relating to Customer Initial Margin in the amount equal to those deemed to have been deposited with JSCC by Party B through the Successor Clearing Broker(s) acting as agent pursuant to the provision of Paragraph 2, shall cease to exist and have no future effect in accordance with the Rules.

5 The Position Transfer of Outstanding Cross Margined Contracts by Party B as set forth in Paragraphs 1 through 4 above may only be allowed when Party B has agreed with the JGB Futures Successor Clearing Broker (*kokusai sakimono shoukei seisan sankasha*) on the JGB Futures Position Transfer (*kokusai sakimono shoukei*), and submitted a request for JGB Futures Position Transfer in the form prescribed by JSCC to JSCC via the JGB Futures Successor Clearing Broker.

Article 34-3. JGB Futures Position Transfer of Claims and Obligations related to JGB Futures Cleared Contracts (*kokusai sakimono seisan yakujou*)

1 When the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract set forth in Article 28-9.1 of this Agreement comes into existence, Party B may cause the claims and obligations listed below (hereinafter collectively referred to as the "Claims and Obligations related to JGB Futures Cleared Contracts ") to be transferred through Position Transfer as a whole to a JGB Futures Successor Clearing Broker through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the JGB Futures Successor Clearing Broker and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:

(1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations with the same terms and conditions as those related to Cross Margined JGB Futures Cleared Contracts set forth in Article 28-9.1 between Party A and JSCC which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts comes into existence according to the provision of Article 28-9.1;

(2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 between Party A and Party B which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract comes into existence according to the provision of Article 28-9.1.

2 Where Party B requests to JSCC a JGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like pursuant to the provision of Paragraph 1, Party B shall request to the JGB Futures Successor Clearing Broker the JGB Futures Position Transfer and obtain the consent of the JGB Futures Successor Clearing Broker (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts of Party B are traded through a JGB Futures Non-Clearing Participant) in advance.

3 When a JGB Futures Position Transfer to the JGB Futures Successor Clearing Broker is effected in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like, the claims and obligations identical to the claims and obligations related to the Cross Margined JGB Futures Cleared Contracts set forth in Article 28-9.1 and the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts shall cease to exist and have no future effect pursuant to the provisions of the Rules.

Article 35. Close-Out Netting of Subject Clearing Brokerage Contracts if Outstanding Contracts are not Transferred

1 Upon termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement, if the Outstanding Contracts are not transferred pursuant to the provision of Article 34 of this Agreement or the Outstanding Cross Margined Contracts are not transferred pursuant to the provision of Article 34-2, all Subject Clearing Brokerage Contracts shall be automatically terminated without further notice from Party A or Party B, and Party A and Party B shall pay or receive the Early Termination Amount with respect to all of those Subject Clearing Brokerage Contracts. In this case, the Early Termination Amount shall be the sum of the Profit and Loss before Default calculated pursuant to the provision of Paragraph 2 and the Post-Default Allocated Profit and Loss calculated in the manner described below. For the purpose of this Paragraph, when the Cash Settlement Amount is to be paid or received in any currency other than Japanese yen, it shall be Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in Article 6 of the Rules on Default Settlement Regarding

Clearing Participants in Relation to IRS Clearing Business (*kinri suwappu torihiki seisan gyomu ni kansuru seisan sankasha no hatan shori ni kansuru kisoku*):

- (1) The amount of the Post-Default Allocated Profit and Loss shall be the sum of the amounts obtained pursuant to a. through **gf.** below, or, if Party B is not a Customer set forth in Article 94.1 of the Business Rules, pursuant to b. through **gf.** below:

- a. The sum of the Cash Settlement Amount arising from the Cleared Contracts subject to Brokerage to be paid or received on each JSCC Business Day during the period from the Party A Default Determination Date through the JSCC Business Day following the date on which it is determined that Party B is unable to transfer the Outstanding Contracts as set forth in Article 34 of this Agreement;

(For the purpose of this item, the “Last Day of Position Transfer Window” means JSCC Business Day following the date on which it is determined that Customers (including Party B) is unable to transfer the Outstanding Contracts as set forth in Article 34 of the Clearing Brokerage Agreement(s).)

- b. The total amount of the portion, allocated to the Cleared Contracts subject to Brokerage, of the Cash Settlement Amount, to be paid or received on the second JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B, arising from:

- (i) Party A’s Cleared Contracts on its proprietary account;
- (ii) Party A’s Customer’s Cleared Contracts that are confirmed not to be transferred pursuant to Article 94 **or Article 94-2** of the Business Rules by the JSCC Business Day preceding the Last Day of Position Transfer Window applicable to Party B;

(in this b. through f. below, the Cleared Contracts that are confirmed not to be transferred pursuant to Article 94 of the Business Rules by the JSCC Business Day preceding the Last Day of Position Transfer Window shall be referred to as the “Subject Cleared Contracts for Hedge”)

- (iii) Cleared Contracts subject to Brokerage, as well as, the other Customer’s Cleared Contracts as a result of Party A’s Clearing Brokerage for such other Customers, with respect to whom the Last Day of Position Transfer Window is the same as that applicable to Party B, if any;

(in this b. through f. below, the Cleared Contracts described in this (iii) shall be referred to as the “Cleared Contracts subject to Brokerage”)

and

(iv) Hedge Transactions related to these Cleared Contracts.

The allocation shall be determined by prorating said amount according to the risk (as such term set forth in Item(1)-3 below) respectively calculated with respect to the Subject Cleared Contracts for Hedge, the Cleared Contracts subject to Brokerage as of the Last Day of Position Transfer Window applicable to Party B;

- c. If no other Customer's Cleared Contract for which Party A is acting as Clearing Broker is confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B, the total amount of the portion, allocated to the Cleared Contracts subject to Brokerage, of the Cash Settlement Amount to be paid or received on each JSCC Business Day from the third JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B through the date of the Default Auction (*hatan shori nyuusatsu*) with respect to the Default of Party A (referred to as the “Default Auction Date”) plus the Successful Bid Amount (*rakusatsu zi shiharai kingaku*) less the Net Present Value as of the JSCC Business Day immediately preceding the Default Auction Date, each arising from the Subject Cleared Contracts for Hedge, Cleared Contracts subject to Brokerage and Hedge Transactions related to these Cleared Contracts. The allocation shall be determined by prorating such amount in the same manner as the provision of b. above;
- d. If one or more other Customer's Cleared Contracts for which Party A is acting as Clearing Broker are confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B (such other Customer shall be referred to as “Customer Added to Hedge”), the amount determined as follows:

For the purpose of d. through f., on the Last Day of Position Transfer Window applicable to Customer Added to Hedge, the Cleared Contracts subject to Brokerage shall be included in Subject Cleared Contracts for



Hedge.

- (i) The Cash Settlement Amount, arising from Subject Cleared Contracts for Hedge, Cleared Contracts of such Customer Added to Hedge and Hedge Transactions related to these Cleared Contracts, to be paid or received on the second JSCC Business Day following the Last Day of Position Transfer Window applicable to each Customer Added to Hedge shall be obtained;
  - (ii) The amount obtained in (i) above shall be allocated on a pro-rata basis according to their risk respectively calculated on the Last Day of Position Transfer Window applicable to the Customer Added to Hedge with respect to the Subject Cleared Contracts for Hedge and the Cleared Contracts of the Customer Added to Hedge; and
  - (iii) The amount allocated to Subject Cleared Contracts for Hedge according to (ii) above shall be further allocated to (a) Cleared Contracts on Party A's proprietary account, (b) Party A's Customer's Cleared Contracts which was confirmed not to be transferred pursuant to Article 94 of the Business Rules before the Last Day of Position Transfer Window applicable to Party B and (c) the Cleared Contracts subject to Brokerage on a pro-rata basis in the same manner as the provision of b. above. The amount so allocated to the Cleared Contracts subject to Brokerage shall be the amount used for calculation of Cash equivalent to the Early Termination Charge for the Cleared Contracts subject to Brokerage.
- e. When d. above applies, if no other Customer's Cleared Contract for which Party A is acting as Clearing Broker is confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to each Customer Added to Hedge above, the sum of the amount of the portion, allocated to Cleared Contracts subject to Brokerage, of the Cash Settlement Amount to be paid or received on each JSCC Business Day from the third JSCC Business Day following the Last Day of Position Transfer Window applicable to the Customer Added to Hedge through Default Auction Date plus Successful Bid Amount less the Net Present Value as of the JSCC Business Day immediately preceding the Default Auction Date, each arising from the Subject Cleared Contracts for Hedge, the Cleared Contracts of the Customer Added to Hedge and Hedge Transactions related to these Cleared Contracts. The allocation shall be determined by prorating such amount in the same manner as the provision

of d. above;

- f. When d. above applies, if one or more further Customer's Cleared Contracts for which Party A is acting as Clearing Broker are confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to said Customer Added to Hedge, the sum of the amount obtained by the calculation made in the same manner as the provisions of d. and e. above. If there is one or more additional Customers for which Party A is acting as Clearing Broker is decided not being able to transfer the Cleared Contracts executed for its account pursuant to Article 94 of the Business Rules thereafter, the total amount calculated in the same manner shall be added accordingly.

g. When Party B is a Cross Margining User, if a Cross Margining Liquidation Transaction is executed in respect of Party B's Cross Margined JGB Futures Cleared Contracts, the amount equal to the Cash Settlement Amount related to the Cleared Contract which comes into existence as a result of such Cross Margining Liquidation Transaction.

- (1)-2The "Cash Settlement Amount" and the "Net Present Value" referred to in Item (1) shall be calculated by JSCC pursuant to the provisions of the Rules on an assumption that Cleared Contracts to which Party A is a party, including Cleared Contracts subject to Brokerage, validly exist on the Party A Default Determination Date, and the "Cash Settlement Amount" and the "Net Present Value" to be paid or received in any currency other than Japanese yen shall be Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business.
- (1)-3The "risk" referred to in Item (1) means the amount, with respect to the relevant Cleared Contracts, calculated by JSCC according to the method set forth in Paragraph 1.(1).a. of Appendix 2 to the Handling Procedures of Interest Rate Swap Business Rules.
- (2) When Party A is to pay to Party B the Post-Default Allocated Profit and Loss calculated pursuant to the provision of Item (1), Party A shall be deemed to owe a payment obligation related to such Cash to Party B.
- (3) When Party B is to pay to Party A the Post-Default Allocated Profit and Loss calculated pursuant to the provision of Item (1), Party B shall be deemed to owe a payment obligation related to such Cash to Party A.

- 2 The amount of Profit and Loss before Default shall be, in respect of each Subject Clearing Brokerage Contract, the sum total of the Net Present Value calculated on the Calculation Date upon Party A Default, excluding those in respect of which the Cleared Contracts subject to Brokerage related to the Subject Clearing Brokerage Contract is Cleared Contracts (Settlement Type). For the purpose of this Paragraph, "Calculation Date upon Party A Default" means the JSCC Business Day immediately preceding the Party A Default Determination Date when Variation Margin is settled on the Party A Default Determination Date, or the day that is 2 JSCC Business Days preceding the Party A Default Determination Date when Variation Margin is not settled on the Party A Default Determination Date.
- 3 When Party A owes to pay the Post-Default Allocated Profit and Loss to Party B pursuant to the provision of Paragraph 1.(2), Party B may directly request JSCC to pay the same amount as the relevant Post-Default Allocated Profit and Loss. When JSCC makes such payment, the payment obligation of Party A against Party B related to the Post-Default Allocated Profit and Loss set forth in Paragraph 1.(2) shall cease to exist.
- 4 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, Party A and Party B shall immediately return to the other party Variation Margin deposited by the other party in accordance with this Agreement, provided that neither Party A nor Party B may request the return of said Variation Margin from the other party until the settlement of all Cleared Contracts subject to Brokerage and Cross Margined JGB Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed pursuant to the provisions of Articles 26.2 and 26.3 of this Agreement, except for the case where the claims and obligations arising from Variation Margin are settled pursuant to the provision of Paragraph 7.
- 5 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, Party A shall immediately return to Party B Customer Initial Margin deposited by Party B, provided that Party B may not request the return of said Customer Initial Margin from Party A until the settlement of all Cleared Contracts subject to Brokerage and Cross Margined JGB Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed pursuant to the provision of Article 26.1 of this Agreement, except for the case where the claims and obligations arising from Customer Initial Margin are settled pursuant to the provision of Paragraph 7.
- 6 For the purpose of Paragraph 3, where Customer Initial Margin is deposited in the form of Eligible Securities Collateral, unless otherwise agreed between Party A and Party B, Party A shall return Cash in the amount equivalent to the market value of Eligible Securities Collateral used to determine the appraisal value of the Eligible Securities Collateral as of the Initial Loss-Determination Date in relation to the Default of Party A ("Initial Loss-Determination Date") in lieu of returning the Eligible Securities Collateral.

7 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, all monetary obligations outstanding between Party A and Party B under this Agreement as of the Initial Loss-Determination Date shall be settled as set forth below. Such monetary obligations shall include the obligations to pay the Early Termination Amount as a result of termination of the Subject Clearing Brokerage Contracts pursuant to the provision of Paragraph 1, which include, if the Cross Margined JGB Futures Cleared Contracts are recorded on the Party B Clearing Brokerage Account, the payment obligation existing between Party A and Party B in respect to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts that will come into existence pursuant to the provision of Article 28-9.1 of this Agreement (where Paragraph 3 applies, other than the payment obligations related to the Post-Default Allocated Profit and Loss set forth in Paragraph 3; the same applies in this Paragraph), the obligations to return Variation Margin pursuant to the provision of Paragraph 4, the obligations to return Customer Initial Margin pursuant to the provisions of Paragraphs 5 and 6, the obligations to pay Fixed Amount and Floating Amount that remain unpaid, if any, and any and all other monetary obligations outstanding between Party A and Party B:

- (1) The Early Termination Amount payable by Party A to Party B as a result of termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Paragraph 1, Party A's obligation to return Variation Margin to Party B and other monetary obligations of Party A owed to Party B outstanding as of the Initial Loss-Determination Date, excluding the obligations to return Customer Initial Margin under the provisions of Paragraphs 5 and 6, ("Party A's Obligations at Initial Loss-Determination Date") shall be netted with the Early Termination Amount payable by Party B to Party A as a result of termination of the Subject Clearing Brokerage Contracts, Party B's obligation to return Variation Margin to Party A and other monetary obligations of Party B to Party A outstanding as of the Initial Loss-Determination Date ("Party B's Obligations at Initial Loss-Determination Date"). For the purpose of this paragraph, in respect of the Variation Margin or monetary obligations to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in the provision of Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business;
- (2) As a result of netting pursuant to the provision of Item (1), if Party B's Obligations at Initial Loss-Determination Date remain, the amount of Customer Initial Margin deposited by Party B with Party A, or, if Customer Initial Margin consists of Eligible Securities Collateral, but Party A will not return Cash equivalent to the market value of the Eligible Securities Collateral as set forth in the provision of Paragraph 4, the liquidation proceeds of Eligible Securities Collateral shall be deducted from the remaining amount of Party B's Obligations at Initial Loss-Determination Date. As a result, if the amount of the Party B's Obligations at Initial Loss-Determination

Date becomes negative, Party A shall have an obligation to immediately return to Party B the amount equal to the absolute value of such negative value.

- (3) As a result of netting pursuant to the provision of Item (2), if the Party B's Obligations at Initial Loss-Determination Date still remain, the amount of Initial Margin deposited by Party B with JSCC, or, if Initial Margin consists of the Eligible Securities Collateral, the liquidation proceeds of Eligible Securities Collateral, shall be deducted from the remaining amount of Party B's Obligations at Initial Loss-Determination Date. As a result, if the amount of Party B's Obligations at Initial Loss-Determination Date becomes negative, Party B may request return of Initial Margin from JSCC up to the amount equal to the absolute value of such negative value.
  - (4) As a result of netting pursuant to the provision of Item (3), if the Party B's Obligations at Initial Loss-Determination Date still remain, that remaining amount shall constitute the obligations of Party B owed to Party A arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party B's Final Obligations" in this Article) and the claims in the Party B's Final Obligations shall constitute the claims of Party A to Party B.
  - (5) As a result of netting pursuant to the provision of Item (1), if the Party A's Obligations at Initial Loss-Determination Date remain, the sum of that remaining amount and the amount of the obligation to return Customer Initial Margin pursuant to the provisions of Paragraphs 3 and 4 shall constitute the obligations of Party A owed to Party B arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party A's Final Obligations" in this Article) and the claims in the Party A's Final Obligations shall constitute the claims of Party B to Party A.
- 8 If Party A owes Party A's Final Obligations pursuant to the provision of Paragraph 5, Party A shall perform Party A's Final Obligations by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.
- 9 If Party B owes Party B's Final Obligations pursuant to the provision of Paragraph 7, Party B shall perform Party B's Final Obligations by the time and in the manner as designated by Party A.

### Section3 Position Transfer of Outstanding Contracts Due to Default of Other Clearing Participants

#### Article 36. Position Transfer of Outstanding Contracts Due to Default of Other Clearing Participants

- 1 If JSCC declares the Default of other Clearing Participant who also is a Clearing Broker

for Party B (“Defaulting Clearing Participant”) and if the Cleared Contracts of Party B are terminated, said Cleared Contracts and other claims and obligations specified in the Rules (collectively “Defaulting Clearing Participant’s Outstanding Contracts”) will be transferred to Party A through Position Transfer pursuant to the provisions of the Rules, through submission by Party B of request for Position Transfer to Party A and subject to an acceptance of Position Transfer by Party A.

- 2 When Party A accepts Position Transfer of the Defaulting Clearing Participant’s Outstanding Contracts pursuant to the provision of Paragraph 1 and receives the Position Transfer request form from Party B in accordance with the Rules, Party A must submit the request form to JSCC within the period of time specified in the Rules. Such request form shall state, among other things, the effect that Party A has received the request to accept the Position Transfer and it has consented to accept such Position Transfer; that Party B is requesting such Position Transfer to JSCC; and that Party A is submitting the request form for such Position Transfer to JSCC.
- 3 Upon the Position Transfer of the Defaulting Clearing Participant’s Outstanding Contracts to Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply to the Defaulting Clearing Participant’s Outstanding Contracts transferred to Party A as if they are the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) and the Subject Clearing Brokerage Contracts (Collateral Type) under this Agreement.
- 4 Party A and Party B hereby agree in advance that upon the Position Transfer of the Defaulting Clearing Participant’s Outstanding Contracts to Party A pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim return pursuant to the provisions of the Clearing Brokerage Agreement between Party B and the Defaulting Clearing Participant shall be deemed as Initial Margin deposited with JSCC by Party B through Party A acting as its agent at the time of such Position Transfer.

#### Section 4 Participation in Default Auction for Other Clearing Participant

##### Article 37. Hedge Transaction

- 1 Under Clearing Brokerage for Party B which is in the same Corporate Group as Party A, Party A may become a party to the Hedge Transactions set forth in Article 93.1 of the Business Rules with JSCC for the account of Party B.
- 2 When a Hedge Transaction is executed between JSCC and Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply as if that Hedge Transaction is the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) which comes into effect as a result of Party A’s Clearing Brokerage for Party B, and the legal relationships between Party A and Party B in respect of that Hedge Transaction is the Subject Clearing Brokerage Contract (Collateral Type) corresponding

to the Hedge Transaction which is deemed as the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) pursuant to the provision of this paragraph.

Article 37-2. Cross Margining Liquidation Transaction

- 1 Under Clearing Brokerage for Party B ~~which is in the same Corporate Group as Party A~~, Party A may execute Cross Margining Liquidation Transactions with JSCC on Party B's book in accordance with Article 93-2.2 of the Business Rules.
- 2 When a Cross Margining Liquidation Transaction is executed between JSCC and Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply as if that Cross Margining Liquidation Transaction is the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) which comes into effect as a result of Party A's Clearing Brokerage for Party B, and the legal relationships between Party A and Party B in respect of that Cross Margining Liquidation Transaction is the Subject Clearing Brokerage Contract (Collateral Type) corresponding to the Cross Margining Liquidation Transaction which is deemed as the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) pursuant to the provision of this paragraph.

Article 38. Default Auction

- 1 Under Clearing Brokerage for Party B which is in the same Corporate Group as Party A, Party A may participate in the Default Auction for the account of Party B. If Party A wins a bid for the Auction Transactions for the account of Party B, these Auction Transactions shall come into effect between JSCC and Party A as broker for Party B.
- 2 When the Auction Transactions come into effect between JSCC and Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply as if the Auction Transactions are the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) which comes into effect as a result of Party A's Clearing Brokerage and the legal relationships between Party A and Party B in respect of the Auction Transactions are the Subject Clearing Brokerage Contracts (Collateral Type) corresponding to the Auction Transactions which are deemed as the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) pursuant to the provision of this paragraph.

~~Article 54. Revisions Required when Applying for Exchanging Mark to Market Difference And Adjustment Amount~~

- ~~1 When Party B intends to submit Application for Exchanging Mark to Market Difference and Adjustment Amount (*soneki sakin tou*), the provisions of Articles 2, 9, 20, 21, 22, 23, 28-2, 28-3, 28-4, 28-5, 28-6, 28-6-2, 30, 32, 36, 37, 37-2 and 38 shall be replaced as follows:~~

~~(1) The following two items shall be added after Article 2.1 (10):~~

~~(10)-2 "Subject Clearing Brokerage Contract (Settlement Type)" (*seisan itaku torihiki (kessai*~~

~~gata)) means a Subject Clearing Brokerage Contract having the same economic effect as Cleared Contracts subject to Brokerage that is a Cleared Contract (Settlement Type) (seisan yakujou (kessai gata));~~

~~(10)-3 “Subject Clearing Brokerage Contract (Collateral Type)” (seisan itaku torihiki (tampo gata)) means a Subject Clearing Brokerage Contract having the same economic effect as Cleared Contracts subject to Brokerage that is a Cleared Contract (Collateral Type) (seisan yakujou (tampo gata));~~

~~(2) The phrase “Positions of the JGB Futures Contracts covered under Cross Margining on Party B’s book” in Paragraph 1 of Article 9 shall be replaced with the phrase “Positions of the JGB Futures Contracts covered under Cross Margining on Party B’s book, Mark-to-Market Difference (soneki sakin).”~~

~~(3) The title “Section 2 Variation Margin” shall be replaced with the term “Cash Settlement Amount.”~~

~~(4) The term “Cleared Contracts subject to Brokerage” in Articles 20, 21.1, 22.1, 22.2, 28-2, 28-4.3, 28-6-2.1, 36.3, 37.2, 37-2.2 and 38.2 shall be replaced with the phrase “Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type).”~~

~~(5) The term “Subject Clearing Brokerage Contracts” in Articles 23, 28-2, 28-4.3, 36.3, 37.2, 37-2.2 and 38.2 shall be replaced with the term “Subject Clearing Brokerage Contracts (Collateral Type).”~~

~~(6) The phrase “shall accrue among JSCC, Successor Clearing Broker and Party B at the time of such acceptance.” in Article 28-3.4 shall be replaced with the phrase “shall accrue among JSCC, Successor Clearing Broker and Party B at the time of such acceptance. In this case, claims and obligations between Successor Clearing Broker and JSCC shall be treated as those under the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) while claims and obligations between Successor Clearing Broker and Party B shall be treated as those under the Clearing Brokerage Contracts (Collateral Type).”~~

~~(7) The phrase “a new Clearing Brokerage Contract with the same terms and conditions” in Article 28-5.1 shall be replaced with the phrase “a new Clearing Brokerage Contract as Clearing Brokerage Contract (Collateral Type) with the same terms and conditions.”~~

~~(8) The phrase “a new legal relationship with the same terms and conditions” in Article 28-6.1 shall be replaced with the phrase “a new legal relationship as the Clearing Brokerage Contracts (Collateral Type) with the same terms and conditions.”~~

~~(9) The phrase “a new legal relationship having the same economic effect” in Article 28-6-~~



~~2.1 shall be replaced with the phrase “a new legal relationship as Clearing Brokerage Contracts (Collateral Type) with the same economic effect.”~~

~~(10) The term “as the Cleared Contracts” in Article 30.5 shall be replaced with “as the Cleared Contracts (Collateral Type).”~~

~~(11) The phrase “the obligation to pay unpaid Fixed Amount and Floating Amount” in Article 32.1 shall be replaced with the phrase “the obligation to pay unpaid Fixed Amount, Floating Amount and Mark to Market Difference.”~~

~~2. When Paragraph 1 applies, the following new Article shall be added after Article 6 and apply:~~

~~Article 7. Application for Exchanging Mark to Market Difference And Adjustment Amount~~

~~1 When Party B intends to instruct Party A to apply for, or to give instruction to withdraw, Application for Exchanging Mark to Market Difference And Adjustment Amount in relation to the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type), it shall notify such effect to Party A by the time agreed between Party A and Party B in the manner agreed between Party A and Party B.~~

~~2 Upon receipt of the above-mentioned notice, Party A shall apply for or withdraw Application for Exchanging Mark to Market Difference And Adjustment Amount as instructed by Party B to JSCC in accordance with the provisions of the Rules.~~

~~3. When Paragraph 1 applies, the following new Article shall be added after Article 20 and apply:~~

~~Article 20-2. Mark to Market Difference~~

~~1 Party A and Party B shall pay or receive Cash in an amount equivalent to the Mark to Market Difference in the relevant currency of the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) on the day specified below according to the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in the below-listed currency:~~

~~(1) JPY Cleared Contract subject to Brokerage: JSCC Business Day—~~

~~(2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day~~

~~2 The required amount of Mark to Market Difference for Cleared Contracts subject to Brokerage that is Cleared Contract (Settlement Type) shall be calculated by JSCC in accordance with the Rules, and Party A shall notify Party B of such amount.~~

~~4. When Paragraph 1 applies, the following new Article shall be added after Article 21 and apply:—~~

~~Article 21-2. Payment or Receipt of Mark-to-Market Difference~~

~~1 When Party A is due to pay to JSCC Mark-to-Market Difference in relation to Cleared Contracts subject to Brokerage that is Cleared Contracts (Settlement Type), Party B shall pay to Party A Cash in an amount equivalent to the Mark-to-Market Difference by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the Mark-to-Market Difference, or, for Mark-to-Market Difference related to Foreign Currency Cleared Contracts on the first JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Mark-to-Market Difference, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of the Mark-to-Market Difference to Party A shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of Mark-to-Market Difference, or, in the case of Mark-to-Market Difference related to Foreign Currency Cleared Contracts, the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.~~

~~2. When Party A receives from JSCC Mark-to-Market Difference in respect of Cleared Contracts subject to Brokerage of Cleared Contract (Settlement Type), Party A shall pay to Party B Cash in an amount equivalent to such Mark-to-Market Difference by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.~~

~~5. When Paragraph 1 applies, the following new Article shall be added after Article 22 and apply:~~

~~Article 22-2. Payment or Receipt of Adjustment Amount related to Mark-to-Market Difference~~

~~1 Party A and Party B shall pay or receive Cash equivalent to Adjustment Amount related to Mark-to-Market Difference (*soneki-sakin-ni kakaru chouseikin*) in respect of the relevant currency of the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in accordance with this Agreement and the Rules on the JSCC Business Day specified below according to Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in the below-listed currency:~~

- ~~(1) JPY Cleared Contract subject to Brokerage: JSCC Business Day~~
- ~~(2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day~~

~~2 The amount of Adjustment Amount related to Mark-to-Market Difference for Cleared Contracts subject to Brokerage which are Cleared Contracts (Settlement Type) shall be calculated by JSCC pursuant to the provisions of the Rules, and Party A shall notify Party B of such amount.~~

~~3 When Party A is due to pay Adjustment Amount related to Mark-to-Market Difference to JSCC, Party B shall pay to Party A Cash in an amount equivalent to said amount by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the Adjustment Amount related to Mark-to-Market Difference, or, in the case of the Adjustment Amount related to Mark-to-Market Difference for Foreign Currency Cleared Contracts, such cut-off time on the first JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Adjustment Amount related to Mark-to-Market Difference, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of the Adjustment Amount related to Mark-to-Market Difference shall be made by the above mentioned cut-off time on the second JSCC Business Day following the date of calculation of the Adjustment Amount related to Mark-to-Market Difference, or, in the case of Adjustment Amount related to Mark-to-Market Difference for Foreign Currency Cleared Contracts, the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.~~

~~4 When Party A receives from JSCC Adjustment Amount related to Mark-to-Market Difference, Party A shall pay to Party B Cash in an amount equivalent to said Adjustment Amount related to Mark-to-Market Difference by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.~~

Article 55. Revisions Required when Using Cross Margining

~~1 When Party B uses Cross Margining, the following provisions shall apply in respect of Articles 28-9, 34, 35 and 37-2:~~

~~(1) The phrase "When the claims and obligations with the same terms and conditions as those of Cross Margined JGB Futures Cleared Contract that is recorded on Party B Clearing Brokerage Account came into existence between Party A and JSCC" in Article 28-9.1 shall be replaced with the phrase "When the claims and obligations with the same terms and conditions as those of Cross Margined JGB Futures Cleared Contract that is recorded on Party B Clearing Brokerage Account between the Cross Margining Requester and JSCC came into existence between Party A and JSCC";~~

~~(2) The provision of Article 34.5 shall not apply;~~

~~(3) Each of the phrases "if the Outstanding Contracts are not transferred pursuant to the provision of Article 34 of this Agreement" in Articles 35.1 through 35.3 and Article 35.5 shall be replaced with the phrase "if the Outstanding Contracts are not transferred pursuant to the provision of Article 34 of this Agreement or the Outstanding Cross Margined Contracts are~~

not transferred pursuant to the provision of Article 34-2”;

(4) The phrases “the sum of the amounts obtained pursuant to a. through f. below” and “pursuant to b. through f. below” in Article 35.1.(1) shall be replaced with the phrases “the sum of the amounts obtained pursuant to a. through g. below” and “pursuant to b. through g. below,” respectively;

(5) The phrase “the period during which the Position Transfer of the Outstanding Contracts by Party B as set forth in Article 34 of this Agreement is possible” in Article 35.1.(1).a. shall be replaced with the phrase “the period during which the Position Transfer of the Outstanding Contracts as set forth in Article 34 of this Agreement or the Position Transfer of the Outstanding Cross Margined Contracts as set forth in Article 34-2 of this Agreement is possible” and the phrase “the period during which the Position Transfer of the Outstanding Contracts by Customers (including Party B) as set forth in Article 34 of this Agreement is possible” in Article 35.1.(1).a. shall be replaced with the phrase “the period during which the Position Transfer of the Outstanding Contracts by Customers (including Party B) as set forth in Article 34 of this Agreement or the Position Transfer of the Outstanding Cross Margined Contracts by Customers (including Party B) as set forth in Article 34-2 of this Agreement is possible”;

(6) The phrase “transferred pursuant to Article 94 of the Business Rules” in Article 35.1.(1).b. shall be replaced with the phrase “transferred pursuant to Article 94 or Article 94-2 of the Business Rules”;

(7) Following new Sub-item g. shall be added after Article 35.1.(1).f.:

“g. When Party B is a Cross Margining User, if a Cross Margining Liquidation Transaction is executed in respect of Party B’s Cross Margined JGB Futures Cleared Contracts, the amount equal to the Cash Settlement Amount related to the Cleared Contract which comes into existence as a result of such Cross Margining Liquidation Transaction.”

(8) The phrase “the obligations to pay the amount equivalent to the Early Termination Charge set forth in Paragraph 1 (“Early Termination Charge Equivalent”)” in Article 35.5 shall be replaced with the phrase “the obligations to pay the amount equivalent to the Early Termination Charge set forth in Paragraph 1, which include, if the Cross Margined JGB Futures Cleared Contracts are recorded on the Party B Clearing Brokerage Account, the payment obligation existing between Party A and Party B in respect to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts that will come into existence pursuant to the provision of Article 28-9.1 of this Agreement, (“Early Termination Charge Equivalent”)”; and

(9) The phrase “which is in the same Corporate Group as Party A” in Article 37-2.1 shall be deleted.

~~2 ——— When Paragraph 1 applies, following new two Articles shall be added after Article 34 and apply:~~

~~Article 34-2. — Position Transfer of Outstanding Cross Margined Contracts~~

~~1 ——— Notwithstanding the provision of Article 34, when the legal relationship with the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 comes into existence as a result of a Default of Party A, Party B may cause the claims and obligations listed below (collectively the “Outstanding Cross Margined Contracts”) to be transferred through Position Transfer as a whole to one or more Successor Clearing Brokers through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the Successor Clearing Broker(s) and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:~~

~~(1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Cleared Contracts subject to Brokerage between Party A and JSCC which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract coming into existence pursuant to the provision of Article 28-9.1 of this Agreement;—~~

~~(2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contracts between Party A and Party B which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts coming into existence pursuant to the provision of Article 28-9.1 of this Agreement.~~

~~2 ——— Party A and Party B hereby agree in advance that when the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s) pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim the return pursuant to the provision of Article 17 of this Agreement shall be deemed as Initial Margin deposited with JSCC through the Successor Clearing Broker(s) acting as agent of Party B at the time of such Position Transfer.~~

~~3 ——— Where Party B requests to JSCC the Position Transfer of the Outstanding Cross Margined Contracts pursuant to the provision of Paragraph 1, Party B shall request to the Successor Clearing Broker the Position Transfer and shall obtain the consent of the Successor Clearing Broker in advance.~~

~~4 ——— When the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s), the claims and obligations arising as a result of the Subject Clearing Brokerage Contracts between Party A and Party B as well as the claims and obligations resulting from Variation Margin paid or received between them in relation to such Subject Clearing Brokerage Contracts, excluding the obligations of Party A that is due at the time of~~

~~the declaration of the Default in respect of Party A and the obligations of Party A related to Unpaid Amount set forth in Article 85-5.1 of the Business Rules, and the claims and obligations relating to Customer Initial Margin in the amount equal to those deemed to have been deposited with JSCC by Party B through the Successor Clearing Broker(s) acting as agent pursuant to the provision of Paragraph 2, shall cease to exist and have no future effect in accordance with the Rules.~~

~~5 The Position Transfer of Outstanding Cross Margined Contracts by Party B as set forth in Paragraphs 1 through 4 above may only be allowed when Party B has agreed with the JGB Futures Successor Clearing Broker (*kokusai sakimono shoukei seisan sankasha*) on the JGB Futures Position Transfer (*kokusai sakimono shoukei*), and submitted a request for JGB Futures Position Transfer in the form prescribed by JSCC to JSCC via the JGB Futures Successor Clearing Broker.~~

~~Article 34-3. JGB Futures Position Transfer of Claims and Obligations related to JGB Futures Cleared Contracts (*kokusai sakimono seisan yakujou*)~~

~~1 When the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract set forth in Article 28-9.1 of this Agreement comes into existence, Party B may cause the claims and obligations listed below (hereinafter collectively referred to as the "Claims and Obligations related to JGB Futures Cleared Contracts") to be transferred through Position Transfer as a whole to a JGB Futures Successor Clearing Broker through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the JGB Futures Successor Clearing Broker and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:~~

~~(1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations with the same terms and conditions as those related to Cross Margined JGB Futures Cleared Contracts set forth in Article 28-9.1 between Party A and JSCC which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts comes into existence according to the provision of Article 28-9.1;~~

~~(2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 between Party A and Party B which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract comes into existence according to the provision of Article 28-9.1.~~

~~2 Where Party B requests to JSCC a JGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like pursuant to the provision of Paragraph 1, Party B shall request to the JGB Futures Successor Clearing~~

~~Broker the JGB Futures Position Transfer and obtain the consent of the JGB Futures Successor Clearing Broker (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts of Party B are traded through a JGB Futures Non-Clearing Participant) in advance.~~

~~3 ——— When a JGB Futures Position Transfer to the JGB Futures Successor Clearing Broker is effected in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like, the claims and obligations identical to the claims and obligations related to the Cross Margined JGB Futures Cleared Contracts set forth in Article 28-9.1 and the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts shall cease to exist and have no future effect pursuant to the provisions of the Rules.~~

~~Article 56. Revision of Provisions related to Transfer of Clearing Brokerage Contracts or Cleared Contracts~~

~~1 ——— When Party B transfers Subject Clearing Brokerage Contracts to Party A, another Clearing Participant or another Customer, the provision of Article 28-5 shall be deemed to have been replaced with the following provisions:~~

~~Article 28-5. Transfer of Subject Clearing Brokerage Contracts to Party A, Other Clearing Participant or Other Customer~~

~~1 ——— Subject to the provisions of the Rules, Party B may transfer the Subject Clearing Brokerage Contracts to Party A, any other Clearing Participant (referred to as “Transferee Clearing Participant” in this Article) or any other Customer (referred to as “Transferee Customer” in this Article).~~

~~For the purpose of this Article, “transfer” means (i) to have a Subject Clearing Brokerage Contract and the claims and obligations under the Subject Clearing Brokerage Contract, other than those related to settlement amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, cease to exist pursuant to the provisions of the Rules, or (ii) to have a Subject Clearing Brokerage Contract and the claims and obligations under the Subject Clearing Brokerage Contract, other than those related to settlement amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear has not been completed, cease to exist pursuant to the provisions of the Rules and simultaneously to have a new legal relationship with the same terms and conditions come into effect between the Transferee Customer and the Clearing Broker for the Transferee Customer.~~



~~2 Before requesting a transfer of a Subject Clearing Brokerage Contract, Party B shall agree in advance with Party A, and the Transferee Clearing Participant, if the Subject Clearing Brokerage Contract is transferred to a Transferee Clearing Participant, or the Transferee Customer and its Clearing Broker, if the Subject Clearing Brokerage Contract is transferred to a Transferee Customer, on the settlement of claims and obligations between them arising from the transfer and other necessary matters.~~

~~2 When Party B accepts a transfer of Clearing Brokerage Contracts from other Customer, the provision of Article 28-6 shall be deemed to have been replaced with the following provisions:~~

~~Article 28-6. Transfer of Clearing Brokerage Contracts from Other Customer~~

~~1 Subject to the provisions of the Rules, Party B may accept a transfer from another Customer (referred to as "Transferor Customer" in this Article) of legal relationship between the Transferor Customer and its Clearing Broker that are similar to Clearing Brokerage Contracts (referred to as "Transferred Clearing Brokerage Contract").~~

~~For the purpose of this Article, "transfer" means to have Transferred Clearing Brokerage Contract, other than the claims and obligations related to settlement amounts for which deposit or payment under the Customer's Cleared Contracts of the Clearing Broker for the Transferor Customer on the book of such Transferor Customer related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, cease to exist pursuant to the provisions of the Rules and simultaneously to have a new legal relationship with the same terms and conditions come into effect between Party A and Party B.~~

~~2 Before accepting transfer of the Transferred Clearing Brokerage Contract from the Transferor Customer, Party B shall agree in advance with Party A and the Transferor Customer (or, when accepting transfer from the Transferor Customer whose Clearing Broker is a Clearing Participant other than Party A, the Transferor Customer and the Clearing Broker for the Transferor Customer) on the settlement of claims and obligations among them arising from said transfer and other necessary matters.~~

~~3 When Party B accepts a transfer of Cleared Contracts from a Clearing Participant other than Party A, the following Article shall be added after Article 28-6-2, and the provisions below shall be applied:~~

~~Article 28-6-3. Transfer of Cleared Contracts from Other Clearing Participant~~

~~1 Subject to the provisions of the Rules, Party B may accept a transfer from a Clearing Participant other than Party A (referred to as "Transferor Clearing Participant" in this Article) the Cleared Contracts between the Transferor Clearing Participant and JSCC on the Transferor Clearing Participant's proprietary book.~~



~~For the purpose of this Article, "transfer" means to have a new legal relationship having the same economic effect as the Cleared Contracts on the Transferor Clearing Participant's proprietary book, other than the claims and obligations related to settlement amounts for which deposit or payment under the Cleared Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, come into effect between Party A and Party B and deem such Cleared Contracts as Cleared Contracts subject to Brokerage between JSCC and Party A acting as an agent for Party B under the Clearing Brokerage.~~

~~2 When intending to accept a transfer of Cleared Contracts from a Transferor Clearing Participant, Party B shall agree in advance with Party A and the Transferor Clearing Participant on the settlement of claims and obligations among them arising from the transfer and other necessary matters.~~

#### ~~Article 57. Revision of Provisions when Using JSCC-Initiated Compression~~

~~1 When Party B uses JSCC-Initiated Compression, the following Article shall be added after Article 26-7, and the provisions below shall be applied:~~

#### ~~Article 26-8. Application for JSCC-Initiated Compression of Cleared Contract subject to Brokerage~~

~~1 When, in respect of Cleared Contract subject to Brokerage, Party B intends to give instruction to express its intention of utilization of the JSCC-Initiated Compression, give instruction to apply for the JSCC-Initiated Compression in respect of its Cleared Contract subject to Brokerage, give instruction to withdraw its application or give instruction to agree to the JSCC-Initiated Compression, Party B shall notify Party A of such intention in the manner and by the date and time separately agreed between Party A and Party B.~~

~~2 Upon receipt of the notice set forth in Paragraph 1, Party A shall express the intention of utilization of the JSCC-Initiated Compression, apply for the JSCC-Initiated Compression in respect of the Cleared Contract subject to Brokerage, withdraw the relevant application or agree to the JSCC-Initiated Compression to JSCC as stated in such notice, pursuant to the provisions of the Rules.~~

~~2 In case of Paragraph 1, the provisions of Article 28 and Article 28-2 shall be deemed to have been replaced with the following provisions:~~

#### ~~Article 28. Termination of Subject Clearing Brokerage Contract as a Result of Per Trade Compression or other Compressions~~

~~When a Cleared Contract subject to Brokerage is terminated as a result of a Per Trade Compression, a Blended Rates Compression, a Vendor-Initiated Compression, a Member-~~

~~Initiated Compression or a JSCC-Initiated Compression, the relevant Subject Clearing Brokerage Contract shall also terminate automatically, and the claims and obligations under the Subject Clearing Brokerage Contracts, other than those related to Cash Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of JSCC's confirmation of the satisfaction of Per Trade Compression Conditions, Blended Rates Compression Conditions, Vendor-Initiated Compression Conditions, Member-Initiated Compression Conditions or JSCC-Initiated Compression Conditions has not been completed, shall cease to exist and have no future effect in accordance with the provisions of the Rules. In such case, Cash remain unsettled between Party A and Party B with respect to such Subject Clearing Brokerage Contract, if any, shall be promptly settled between Party A and Party B.~~

~~Article 28.2. Conclusion of Subject Clearing Brokerage Contracts by Per Trade Compression and other Compressions~~

~~When new Cleared Contracts subject to Brokerage come into effect between Party A and JSCC as a result of the Per Trade Compression, the Blended Rates Compression, the Vendor-Initiated Compression, the Member-Initiated Compression or the JSCC-Initiated Compression, the Subject Clearing Brokerage Contracts corresponding to such Cleared Contracts subject to Brokerage shall come into effect between Party A and Party B at the same time.~~

Note 1) Upon execution of the Clearing Brokerage Agreement, Party A and Party B may elect to use either Exhibit Form 3 (*youshiki dai 3 gou*) or Exhibit Form 3-2 (*youshiki dai 3 gou no 2*) of Handling Procedures of Interest Rate Swap Business Rules.

Note 2) Party A and Party B may determine the number of days to be inserted to “○ JSCC Business Days” in Article 39.2 of this Agreement by mutual agreement.

Note 3) Party A and Party B may amend Article 43 of this Agreement (except for Article 43.2.(4)) with their mutual agreement.

Note 4) Party A and Party B may delete, or designate and insert a name of certain branch to, the phrase “○○ branch” in Article 53.1 of this Agreement by mutual Agreement. The provisions of Articles 53.1 and 53.2 of this Agreement may be amended by a mutual agreement between Party A and Party B.

Note 5) When Party A and Party B desires to agree otherwise under the provisions of this Agreement that have reference to “by mutual agreement,” “agreement between Party A and Party B,” “separate agreement,” “Party A and Party B separately agree otherwise,” or “otherwise agreed between Party A and Party B,” such agreement shall be evidenced by a separate memorandum of understanding executed pursuant to the provision of Article 49 of this Agreement, incorporating such

agreement into the provisions of this Agreement or referring to attachment hereto.

~~Note 6) Party A and Party B may delete Article 54 of this Agreement if Party B does not use Application for Exchanging Mark to Market Difference And Adjustment Amount.~~

~~Note 7) Party A and Party B may delete Article 55 of this Agreement if Party B does not use a Cross Margining.~~

~~Note 8) Party A and Party B may delete Article 56 of this Agreement, if they do not intend to be involved in any transfer process other than a transfer from Party B to Party A or another Customer in the same Corporate Group as Party B for which Party A provides Clearing Brokerage service, and a transfer to Party B (i) by Party A of the Cleared Contracts on Party A's proprietary book or (ii) by another Customer in the same Corporate Group as Party B for which Party A provides Clearing Brokerage service of Clearing Brokerage Contracts.~~

~~Note 9) Party A and Party B may delete Article 57 of this Agreement if Party B does not use JSCC Initiated Compression.~~

~~Note 10) Party A and Party B may delete the proviso of Article 42 of this Agreement if they do not intend to obtain JSCC's approval for an assignment to a third party, pledge or other disposition of their claims under this Agreement.~~

## Rules on Required IRS Clearing Fund Amount

Original Document Title : 金利スワップ清算基金所要額に関する規則

### Note:

1. JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English translation, the original Japanese document will prevail.
2. For convenience purposes, we have only listed proposed changes to “Rules on Required IRS Clearing Fund Amount” and other necessary changes in this document. Changes are underlined in the following pages.

### Supplementary Provisions

1. These amendments shall come into force as of May 17, 2021.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after May 17, 2021.

## Appendix Calculation of Required IRS Clearing Fund Amount

### 2. Expected Stressed Loss Share

“The Expected Stressed Loss Share” in the preceding Paragraph ~~for a given IRS Clearing Fund Calculation Date~~ shall be the amount prescribed below according to the classification of the Clearing Participant specified below:

(1) Clearing Participant not falling under below Item:

Expected Stressed Loss Base Amount (as defined below); and

(2) Clearing Broker subject to a reduction of the Expected Stressed Loss Share (“Clearing Participant subject to Reduction”):

The amount obtained by subtracting the Allocated Decrease (as defined below) from the Expected Stressed Loss Base Amount; provided, however, that JSCC may change the Expected Stressed Loss Share for a Clearing Participant determined pursuant to the provisions of this Item on an ad hoc basis to the extent of not exceeding the Expected Stressed Loss Base Amount for the relevant Clearing Participant, when JSCC deems necessary.

3. “The Expected Stressed Loss Base Amount” in the preceding Paragraph shall be the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in respect of that amount in terms of the Clearing Participant’s Risk Amount Exceeding Collateral (or, if any subsidiary or affiliate, or the parent –company of such Clearing Participant, or any subsidiary or affiliate of the parent company (“Affiliated Company”) also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that an increase of the Required Initial Margin set forth in Article 65-2 of the Business Rules (“Client Additional Margin”) has not been applied, prorated according to the Required Initial Margin ~~Amount~~, which is calculated on an assumption that Client Additional Margin has not been applied, of the Clearing Participant arising as a result of its Proprietary Account and Customer Accounts on that IRS Clearing Fund Calculation Date.

For the purpose of the foregoing, “Risk Amount Exceeding Collateral” means the sum in respect of each Clearing Participant of each amount calculated for each of the Proprietary Account and Customer Account of the Clearing Participant as a difference of the Stressed Risk Value of the Cleared Contracts at 7:00 p.m. on each IRS Clearing

Fund Calculation Date and the Required Initial Margin Amount on the same day (if such difference in respect of a Customer Account is a negative figure, it shall be treated as zero (0)). If the sum so obtained is a negative figure, it shall be treated as zero (0)).

For the purpose of the foregoing, "Stressed Risk Value" is the value calculated in the manner prescribed by JSCC through notification, equivalent to the amount of expected loss incurred from a Clearing Participant's Cleared Contracts due to extreme volatility in the Clearing Yield Curve for the IRS Transactions and yield curves related to Cross Margined JGB Futures Cleared Contracts.

4. "Clearing Participant sSubject to Reduction" shall be a Clearing Broker falling under both of the below criteria:
  - (1) The Required Initial Margin for its Customer Account has been increased as of the IRS Clearing Fund Calculation Date due to Client Additional Margin; and
  - (2) It falls under top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral on the IRS Clearing Fund Calculation Date (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that Client Additional Margin has not been applied.
5. Allocated Decrease set forth in Paragraph 2.(2) shall be the smaller of the following:
  - (1) The amount obtained by subtracting the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company) for a given IRS Clearing Fund Calculation Date from the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that Client Additional Margin has not been applied for the same IRS Clearing Fund Calculation Date, prorated according to the difference between the Risk Amount Exceeding Collateral for each Clearing Participant subject to Reduction, which is calculated on an assumption that Client Additional Margin has not been applied, and the Risk Amount Exceeding Collateral, which is calculated by using the yield curve fluctuation used for the calculation of the Expected Stressed Loss Base Amount; and
  - (2) The Expected Stressed Loss Base Amount set forth in Paragraph 3 multiplied by the value obtained by dividing the sum total of the Required Initial Margin for the Customer Accounts, to which Client Additional Margin is applied, calculated on an assumption that no Client Additional Margin has applied as of the relevant IRS Clearing Fund Calculation Date by the sum total of Required Initial Margin related

to the Proprietary Account and Customer Accounts calculated on an assumption that no Client Additional Margin has applied as of the IRS Clearing Fund Calculation Date.