

Partial Amendment to Business Rules and Other Rules for IRS Clearing Business in association with Measures to Deal with Permanent Discontinuation of LIBOR Publication

I. Purpose of Amendment

To deal with the permanent discontinuation of JPY LIBOR publication in its IRS Clearing Business, JSCC will establish necessary frameworks for an implementation of a conversion of IRS Cleared Contracts designating JPY-LIBOR-BBA as their Floating Rate Option to those designating JPY-TONA-OIS Compound (hereinafter referred to as “OIS Conversion”), an elimination of IRS designating JPY-LIBOR-BBA as their Floating Rate Option from the transactions eligible for clearing and other necessary treatments, and 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. Implementation of OIS Conversion and Make JPY-LIBOR Trades Ineligible for Clearing

(1) Implementation of OIS Conversion

- IRS Cleared Contracts designating JPY-LIBOR-BBA as their Floating Rate Option that exist as of the close of the business on December 3, 2021 will be replaced with IRS Cleared Contracts designating JPY-TONA-OIS Compound as their Floating Rate Option in a manner prescribed by JSCC.

(2) Make JPY-LIBOR-BBA Trades Ineligible for Clearing

- After the implementation of the OIS Conversion, IRS designating JPY-LIBOR-BBA as its Floating Rate Option shall be ineligible for clearing.
- However, up to December 30, 2021, IRS designating JPY-LIBOR-BBA or JPY-LIBOR as its Floating Rate Option that comes into existence as a result of an exercise of a Swaption shall be eligible for clearing and JSCC will newly clear such IRS. Then, JSCC will implement the OIS Conversion of the Cleared Contracts designating JPY-LIBOR as their Floating Rate Option that exist as of the close of the business on December 30, 2021 in a manner prescribed by JSCC.
- For the time being on and after January 4, 2022, IRS designating that JPY-LIBOR-BBA or JPY-LIBOR comes into existence as a result of an exercise of a Swaption will be cleared after replacing its Floating Rate Option by JPY-TONA-OIS Compound in a manner prescribed by JSCC.

(3) Fees

- The following fees shall apply:

(i) Residual LIBOR Special Fee

Fee of 500 yen per IRS Cleared Contract designating JPY-LIBOR-BBA as its Floating Rate Option remaining as of the end of October

(Remarks)

- Article 9, Supplementary Provisions and other relevant provisions of the Handling Procedures of Interest Rate Swap Business Rules (hereinafter referred to as “IRS Handling Procedures”)

- Article 5-7, Supplementary Provisions and other relevant

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and November 2021, respectively; provided, that this fee shall not apply to Clients.

(ii) Conversion Fee

3,500yen per Cleared Contract subject to the OIS Conversion.

- LIBOR License Fee will no longer be charged.

2. Expansion of Clearing Eligibility of JPY Denominated IRS

(1) Extension of Remaining Period to Maturity of JPY TIBOR (D-TIBOR) Referencing Trades

- The remaining period to the Termination Date of the IRS Transactions eligible for clearing referencing JPY TIBOR (JPY-TIBOR-17097 and JPY-TIBOR) will be extended to 30 years.

(2) Make Transactions Referencing 2021 ISDA Definitions Eligible for Clearing

- IRS Transactions governed by the 2021 ISDA Definitions which are the same coverage as the IRS Transactions currently eligible for clearing will be eligible IRS Transactions for JSCC clearing.
- ISDA Definitions to govern Cleared Contracts will be changed from the 2006 ISDA Definitions to the 2021 ISDA Definitions.

provisions of the Rules on Fees for IRS Clearing Business

- Article 9 and other relevant provisions of the IRS Handling Procedures

- Article 2 and other relevant provisions of the Interest Rate Swap Business Rules

III. Effective Date

These amendments shall come into force on December 6, 2021. (The amended rules concerning the fees described in II.1.(3) above shall come into force on January 4, 2022; provided, the fees described in II.1.(3)(i) above shall come into force as of November 19, 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, these amendments shall come into force as of the date designated by JSCC which is on or after December 6, 2021 (or, in case of the amended rules concerning the fees described in II.1.(3) above (excluding the fees in (i)), on or after January 4, 2022).

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” associated with “Measures to Deal with Permanent Discontinuation of LIBOR Publication” and other necessary changes in this document.

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:

(72) "ISDA Definitions" means the 2021 ISDA Interest Rate Derivatives Definitions~~2006 ISDA Definitions~~ published by ISDA in 2021~~2007~~ (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC¹);

Supplementary Provisions

1. These amendments shall come into force as of December 6, 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 December 6, 2021.

¹ *cf.* Handling Procedures of IRS Clearing Business, Article 11.

Annex

Term	Section	ISDA Definitions
Confirmation	<u>1.1.94.2</u>	Confirmation
Business Day	<u>2.2.14.4</u>	Business Day
Fixed Rate Payer	<u>5.1.32.1</u>	Fixed Rate <u>Amount</u> Payer
Floating Rate Payer	<u>6.1.22.2</u>	Floating Rate <u>Amount</u> Payer
Term	<u>3.2.13.1</u>	Term
Termination Date	<u>3.1.33.3</u>	Termination Date
Trade Date	<u>3.1.13.7</u>	Trade Date
Fixed Amount	<u>5.1.24.4</u>	Fixed Amount
Floating Amount	<u>6.1.34.5</u>	Floating Amount
Notional Amount	<u>4.4.24.7</u>	Notional Amount
Payment Date	<u>3.1.84.9</u>	Payment Date
Business Day Convention	<u>2.3.14.12</u>	Business Day Convention
Day Count Fraction	<u>4.6.14.16</u>	Day Count Fraction
Fixed Rate	<u>5.35.2 (a)</u>	Fixed Rate
Floating Rate	<u>6.3.16.2 (a)</u>	Floating Rate
Reset Date	<u>6.5.56.2 (b)</u>	Reset Date
Floating Rate Option	<u>6.5.16.2 (h)</u>	Floating Rate Option
Designated Maturity	<u>6.7.47.3 (b)</u>	Designated Maturity

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.
(*) Please note that this does not apply to Exhibit Forms 3-2, for which the original version is English.
2. For convenience purposes, we have only listed proposed changes to “Handling Procedures of Interest Rate Swap Business Rules” associated with “Measures to Deal with Permanent Discontinuation of LIBOR Publication” and other necessary changes in this document.

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:

- (5) "2000 ISDA Definitions" means the 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.

(5)-2"2006 ISDA Definitions" means the 2006 ISDA Definitions published by ISDA in 2007, including changes, amendments, or supplements published by ISDA in writing, but excluding those specified by JSCC in a public notice.

Article 9. Requirements of Eligible IRS Transaction

The requirements prescribed under Article 2.1.(47) of the Business Rules shall be all of the following, or, in respect of the IRS Transactions between Clearing Brokers executed for Clearing Brokerage and the Hedge Transactions, all of the following requirements except for Items (1); provided, however, that a handling of the matters listed in Item (5).

ge. to ig. shall be prescribed by JSCC in a public notice:

- (1) It shall be an IRS Transaction governed by the ISDA Definitions, the 2006 ISDA Definitions or the 2000 ISDA Definitions;
- (5) The Floating Rate Option is any of those listed in a. to ig. below, with the Designated Maturity specified in such sub-item:
- a. JPY-Euroyen TIBOR with Designated Maturity of 1 month, 3 months or 6 months;
 - b. JPY-TIBOR with Designated Maturity of 1 month, 3 months or 6 months;
 - c. JPY-TONA-OIS Compound with Designated Maturity of one day;
 - ~~a. JPY-LIBOR-BBA with Designated Maturity of 1 month, 3 month or 6 month;~~
 - db. JPY-TIBOR-ZTIBOR with Designated Maturity of 1 month, 3 months or 6 months;
 - ee. JPY-TIBOR-17097 with Designated Maturity of 1 month, 3 months or 6 months;
 - fd. JPY-TONA-OIS-COMPOUND with Designated Maturity of one day;
 - eg. USD-LIBOR-BBA with Designated Maturity of 1 month, 3 months or 6 months;

- hf. EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters with Designated Maturity of 3 monthss or 6 monthss; or
- ig. AUD-BBR-BBSW with Designated Maturity of 3 monthss or 6 monthss;
- (7) The Notional Amount and the settlement currency of the IRS Transaction shall be the currency specified in below items by each of below-listed Floating Rate Options:
- a. For JPY-Euroyen TIBOR, JPY-TIBOR, JPY-TONA-OIS Compound~~JPY-LIBOR-BBA~~, JPY-TIBOR-ZTIBOR, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: Japanese yen;
- (8) The Term shall be not less than the number of days specified in a. and b. below in respect of each Floating Rate Option:
- a. JPY-TONA-OIS Compound or JPY-TONA-OIS-COMPOUND: 7 days;
- (9) The remaining period to the Termination Date as of the date Clearing is requested shall be the period specified in a. to d. below:
- b. IRS Transaction referencing ~~JPY-TIBOR-17097~~, EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters:
Not less than 3 days and not more than 7,318 days
- c. IRS Transaction referencing JPY-Euroyen TIBOR, JPY-TIBOR, JPY-TIBOR-ZTIBOR, JPY-TIBOR-17097 or USD-LIBOR-BBA but does not qualify b. above:
Not less than 3 days and not more than 10,971 days
- (10) The Notional Amount of the IRS Transaction is constant throughout the Term, or has feature of periodic step-down or step-up, wherein the method of such periodic step-down or step-up is agreed at the execution of the IRS Transaction and will not be changed during the term of such IRS Transaction, and the Notional Amount satisfies the following criteria according to Floating Rate Option of the IRS Transaction;
- a. For IRS Transaction referencing JPY-Euroyen TIBOR, JPY-TIBOR, JPY-TONA-OIS Compound~~JPY-LIBOR-BBA~~, JPY-TIBOR-ZTIBOR, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: 1 JPY or more and up to 4 trillion JPY (4,000,000,000,000 JPY) without any fraction less than 1 JPY;
- (11) The Day Count Fraction is ~~either~~ those set forth in Section 4.6.1 (ii) through Section 4.6.1 (viii) of the ISDA Definitions, those set forth in Section 4.16(b) through Section 4.16(h) of the 2006 ISDA Definitions or those set forth in Article 4.16(b) through Article 4.16(f) of Annex to the 2000 ISDA Definitions;

(13) As Business Day applicable to the Payment Date, below listed city, which may be other than Tokyo, or Settlement Day is designated for below-listed Floating Rate Option:

- a. IRS Transaction referencing JPY-Euroyen TIBOR, JPY-TIBOR, JPY-TONA-OIS Compound~~JPY-LIBOR-BBA~~, JPY-TIBOR-ZTIBOR, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: Tokyo

(14) As Business Day applicable to the Reset Date, below listed city, which may be other than Tokyo, or Settlement Day is designated for below-listed Floating Rate Option:

- a. IRS Transaction referencing JPY-Euroyen TIBOR, JPY-TIBOR, JPY-TONA-OIS Compound, JPY-TIBOR-ZTIBOR, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: Tokyo
- d. IRS Transaction referencing ~~JPY-LIBOR-BBA~~ or USD-LIBOR-BBA: London

Article 11. Designation by JSCC in respect of Changes, Amendments, or Supplements of ISDA Definitions

Changes, amendments, or supplements to the 2021 ISDA Interest Rate Derivatives Definitions~~2006 ISDA Definitions~~ specified under Article 2.1.(72) of the Business Rules shall be changes, amendments, or supplements published by ISDA ~~in writing~~, unless specifically excluded by JSCC in a public notice.

Article 29. Details of Cleared Contracts

2 In applying the ISDA Master Agreement and the ISDA Definitions to a Cleared Contract pursuant to the provisions of Article 51.1 of the Business Rules, the necessary replacement of terms and other matters shall be as follows:

- (1) The matters prescribed in the Rules and other matters prescribed by JSCC in a public notice shall be deemed to have been set forth in the Schedule; ~~and~~
- (2) Out of the Floating Rate Options, JPY-TIBOR-ZTIBOR, JPY-TIBOR-17097 and JPY-TONA-OIS-COMPOUND shall be deemed to have been replaced by JPY-Euroyen TIBOR, JPY-TIBOR and JPY-TONA-OIS Compound, respectively; and
- (3) Other replacement of terms that would become necessary in applying the ISDA Master Agreement and the ISDA Definitions to a Cleared Contract shall be prescribed by JSCC in a public notice.

Supplementary Provisions

1. These amendments shall come into force as of December 6, 2021 (hereinafter referred to as the "Effective Date").

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 the Effective Date.

3. The Floating Rate Option of the Cleared Contracts existing as of the close of the business on the JSCC Business Day immediately preceding the Effective Date that designate JPY-LIBOR-BBA as their Floating Rate Option will be replaced by JPY-TONA-OIS Compound on the Effective Date in a manner prescribed by JSCC (hereinafter referred to as the "One Time OIS Conversion").

4. Notwithstanding the provisions of the preceding 3 paragraphs, if the Floating Rate applicable to the final Calculation Period of the Cleared Contracts is fixed on or before December 31, 2021, those Cleared Contracts that would have otherwise been subject to the One Time OIS Conversion shall not be subject to the One Time OIS Conversion. If this is the case, those Cleared Contracts shall be treated as if there is no amendment to Article 9.

5. Notwithstanding the provisions of Paragraphs 1 and 2 of these Supplementary Provisions, for the period up to December 30, 2021, when a clearing of an IRS Transaction that has come into effect as a result of an exercise of a Swaption and designates JPY-LIBOR or JPY-LIBOR-BBA as its Floating Rate Option is applied for, it shall be handled as if there is no amendment to Article 9. For the purpose of this paragraph and Paragraph 7 below, "Swaption" means the right to have an IRS Transaction come into existence between the parties by the right holder (referring to a party to whom the Swaption is granted) expressing its intention to exercise such right. In this case, in applying the provisions of Article 9, the reference to "JPY-LIBOR-BBA" shall be deemed to have been replaced by "JPY-LIBOR."

6. The Floating Rate Option of the Cleared Contracts designating JPY-LIBOR as their Floating Rate Option that are cleared pursuant to the provisions of the preceding paragraph and existing as of the close of the business on December 30, 2021 will be replaced by JPY-TONA-OIS Compound on January 4, 2022 in a manner prescribed by JSCC (hereinafter referred to as the “One Time OIS Conversion of Swaption Resultant Transactions”).

7. For the time being after the implementation of the One Time OIS Conversion of Swaption Resultant Transactions, when a clearing of an IRS Transaction designating JPY-LIBOR or JPY-LIBOR-BBA as its Floating Rate Option that comes into existence as a result of an exercise of a Swaption is applied for, JSCC deems such application as an application for clearing of an IRS Transaction after replacement of its Floating Rate Option by JPY-TONA-OIS Compound in a manner prescribed by JSCC, and implement such replacement and clearing.

Rules on Fees for IRS Clearing Business

Original Document Title : 金利スワップ取引清算業務に係る手数料に関する規則

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 Fees for IRS Clearing Business” associated with “Measures to Deal with Permanent Discontinuation of LIBOR Publication” and other necessary changes in this document.

Article 2. Types of Fees

The fees under Article 16 of the Business Rules shall be the Base Fee (as set forth in Article 3), the Clearing Fees related to JPY Cleared Contracts and Foreign Currency Cleared Contracts (as set forth in Articles 4 and 4-2), the Compression Fee (as set forth in Article 5), the Client Clearing Fee (as set forth in Article 5-2), the Account Opening Fee (as set forth in Article 5-3), the Foreign Currency Settlement Fee (as set forth in Article 5-5), a cross margining fee, ~~LIBOR License Fee (as set forth in Article 5-7)~~, the Position Transfer Fee (as set forth in Article 5-9), the Collateral Fee (as set forth in Article 5-4) and the Trade Reporting Fee (as set forth in Article 5-8).

Article 5-6. Deleted

Article 5-7. Deleted LIBOR License Fee

~~Monthly LIBOR License Fee shall be, by Proprietary Account and each of the Customer Accounts and in respect of the Cleared Contracts referencing JPY-LIBOR-BBA or USD-LIBOR-BBA as Floating Rate Option, sum total of the amount obtained in respect of the Cleared Contracts in each currency concluded during the relevant month (other than those came into effect as a result of, Per Trade Compression set forth in Article 53 of the Business Rules, Blended Rates Compression set forth in Article 53-2 of the Business Rules, Vendor-Initiated Compression set forth in Article 53-2-2 of the Business Rules, Member-Initiated Compression set forth in Article 53-2-3 of the Business Rules and JSCC-Initiated Compression set forth in Article 53-2-4 of the Business Rules) as a quotient of the sum of the values obtained for each Cleared Contract by using below formula and 1,000,000:~~

~~Notional Amount X value applicable according to the period from the date of application for Clearing to the Termination Date of the Cleared Contract prescribed by JSCC in a public notice~~

~~In the above formula, the Notional Amount of Foreign Currency Cleared Contracts shall be the Japanese yen equivalent of such amount converted by using quotes of foreign-exchange rate prescribed by JSCC in a public notice.~~

Article 7. Fee Payment Date

1 Each Clearing Participant shall pay to JSCC the total amount of the Base Fee, the Clearing Fee related to JPY Cleared Contracts and Foreign Currency Cleared Contracts, the Compression Fee, the Client Clearing Fee, the Account Opening Fee, the Foreign Currency Settlement Fee, ~~LIBOR License Fee~~, the Position Transfer Fee and cross margining fee accrued in each month by the 20th day of the following month (if such day is not a JSCC Business Day, the following JSCC Business Day), together with the amount equal to the applicable consumption tax and local consumption tax.

Supplementary Provisions

1. These amendments shall come into force as of January 4, 2022; provided, however, that Paragraph 6 and 7 of this Supplementary Provisions shall come into force as of November 19, 2021.

2. Notwithstanding the provisions of Paragraph 1 (except for the proviso), 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 January 4, 2022.

3. Notwithstanding the provisions of Paragraph 1, the Cleared Contracts that have come into existence in December 2021 shall be subject to the LIBOR License Fee set forth in Article 5-7 and referred to in Article 7.1 before amendment. In this case, in applying the provisions of Article 5-7 before amendment to the Cleared Contracts that have come into existence on and after December 6, 2021, the references to “JPY-LIBOR-BBA” in Article 5-7 before amendment shall be deemed to have been replaced by “JPY-LIBOR.”

4. As to the One Time OIS Conversion and the One Time OIS Conversion of Swaption Resultant Transactions set forth in Paragraph 3 and 6, respectively, of the Supplementary Provisions of the Handling Procedures of Interest Rate Swap Business Rules with respect to the amendment effective as of December 6, 2021, the Clearing Participants shall pay a fee of 3,500 yen per the Cleared Contract subject to such One Time OIS Conversion or the One Time OIS Conversion of Swaption Resultant Transactions, including Customer's Cleared Contract, to JSCC.

5. When the Floating Rate Option of an IRS Transaction is replaced by JPY-TONA-OIS Compound pursuant to the provisions of Paragraph 7 of the Supplementary Provisions of the Handling Procedures of Interest Rate Swap Business Rules with respect to the amendment effective as of December 6, 2021, the Clearing Participant shall pay a fee of 3,500 yen per IRS Transaction subject to such replacement, including IRS Transaction for a Customer, to JSCC.

6. With respect to the Cleared Contracts designating JPY-LIBOR-BBA as their Floating Rate Option that exist as of the end of October 2021 and the end of November 2021, respectively, including those of Affiliates but excluding those of Clients, the Clearing Participants shall pay a fee of 500 yen per Cleared Contract to JSCC.

7. A Clearing Participant shall pay to JSCC the fee set forth in Paragraph 4 of this Supplementary Provisions by January 20, 2022 together with the amount equal to the applicable consumption tax and local consumption tax, the fee set forth in Paragraph 5 of this Supplementary Provisions by the 20th day of the month immediately following the implementation of such replacement (if such day is not a JSCC Business Day, the following JSCC Business Day) together with the amount equal to the applicable consumption tax and local consumption tax, and the fee set forth in Paragraph 6 of this Supplementary Provisions by November 22, 2021 for the Cleared Contracts existing as of the end of October 2021 and by December 20, 2021 for the Cleared Contracts existing as of the end of November 2021, together with the amount equal to the applicable consumption tax and local consumption tax.