

Outlines related to Compression Service Improvement etc

May 23, 2018

Japan Securities Clearing Corporation

Item	Description	Remarks
<p>I. Compression Service Improvement</p> <p>1. Purpose</p> <p>2. Introduction of JSCC-Initiated Compression</p> <p>(1) Application for Participation in JSCC-Initiated Compression</p>	<ul style="list-style-type: none"> • To provide more convenient services for compression of Cleared Contracts, JSCC will introduce a compression service wherein JSCC makes unwind proposals, etc. (hereinafter referred to as “JSCC-Initiated Compression”). • A user who intends to participate in JSCC-Initiated Compression shall apply for the utilization to JSCC in advance, and select subject contracts out of the contracts satisfying the conditions designated by JSCC and submit the list to JSCC. 	<ul style="list-style-type: none"> • A user shall be either a Clearing Participant or a Clearing Customer (limited to Affiliate of Clearing Participant), and, for the implementation of the JSCC-Initiated Compression, the application from two (2) or more users will be required. A Clearing Customer (Non-Affiliate of Clearing Participant) is not eligible for participation for the time being. • For an Affiliate, the Clearing Broker will submit the application to JSCC and select subject contracts based on the request of such Affiliate. • JSCC-Initiated Compression subject contracts will need to

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(2) Implementation of JSCC-Initiated Compression	<ul style="list-style-type: none"> • Based on the list of subject contracts submitted by the users, JSCC will make proposal of contracts to be unwound, contracts not to be unwound, and new cleared contracts, as a result of Compression. • After confirming details of the final proposal presented on the business day one (1) day before the date of implementation of JSCC-Initiated Compression, the users shall express their final intentions to participate in the Compression cycle. Then, upon JSCC's confirmation of the deposit of the required Initial Margin, JSCC-Initiated Compression becomes effective. 	<p>satisfy below conditions:</p> <ul style="list-style-type: none"> ✓ Contract cleared by the date designated by JSCC; ✓ Fixed vs Floating JPY IRS (basis swaps, amortizing or accreting swaps, and contracts with both initial and final stub are not eligible); ✓ No coupon settlement on the date of implementation of JSCC-Initiated Compression or the next business day. <ul style="list-style-type: none"> • Frequency of compression will be quarterly for the time being, and the specific schedules will be notified by JSCC in advance. • Every business day up to the business day one (1) day before the date of implementation of JSCC-Initiated Compression, JSCC will present the proposal mentioned on the left to the users. • The users shall express their final intentions to participate in JSCC-Initiated Compression by 10:00 a.m. on the date of implementation of JSCC-Initiated Compression. • For an Affiliate, the Clearing Broker will express the final intention of participation to JSCC based on the request of such Affiliate. • JSCC will confirm the deposit of the Initial Margin required for JSCC-Initiated Compression to become effective promptly at or after 4:00 p.m. on the date of implementation of

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<p>(3) Contracts to be Unwound and Created as a result of JSCC-Initiated Compression</p> <p>(4) Fee</p>	<ul style="list-style-type: none"> As a result of JSCC-Initiated Compression, some of the contracts in the list submitted by the users will be unwound before their maturity and, at the same time, new Cleared Contracts (Collateral Type) will be created, based on the JSCC's proposal presented on the business day one (1) day before the date of implementation of JSCC-Initiated Compression. The following fee shall be charged based on the number of contract count (the number of unwound contracts minus the number of newly created contracts): <table border="1" data-bbox="510 735 1346 979"> <thead> <tr> <th data-bbox="510 735 999 831">Contract Count</th> <th data-bbox="999 735 1346 831">Fee (per contract)</th> </tr> </thead> <tbody> <tr> <td data-bbox="510 831 999 879">Up to 2,500th</td> <td data-bbox="999 831 1346 879">JPY6,000</td> </tr> <tr> <td data-bbox="510 879 999 927">From 2,501st up to 5,000th</td> <td data-bbox="999 879 1346 927">JPY3,600</td> </tr> <tr> <td data-bbox="510 927 999 979">From 5,001st</td> <td data-bbox="999 927 1346 979">JPY1,200</td> </tr> </tbody> </table>	Contract Count	Fee (per contract)	Up to 2,500 th	JPY6,000	From 2,501 st up to 5,000 th	JPY3,600	From 5,001 st	JPY1,200	<p>JSCC-Initiated Compression.</p> <ul style="list-style-type: none"> Fixed Rate of the new Cleared Contract as a result of the Compression will be within the range prescribed by JSCC. Specific range and determination method of Fixed Rate will be determined before the launch date in light of the status of trading and the like. The relevant fee shall apply to respective portion of the cumulative contract counts. (The contract counts shall be the cumulative number for a fiscal year (from April to March next year).) In case of the Shareholder Clearing Participants and their Affiliates, the Compression Fee Cap for a fiscal year shall apply to the fee on the left.
Contract Count	Fee (per contract)									
Up to 2,500 th	JPY6,000									
From 2,501 st up to 5,000 th	JPY3,600									
From 5,001 st	JPY1,200									
<p>II. Expansion of Scope of JPY IRS Eligible for Clearing</p> <p>1. Purpose</p>	<ul style="list-style-type: none"> To enhance convenience of JSCC's Clearing Participants etc, JSCC will extend remaining term to maturity for TIBOR and clear JPY IRS with initial and final stubs. 									

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2. Extension of Remaining Term to Maturity of TIBOR etc	<ul style="list-style-type: none"> • Extend the remaining term to maturity of eligible trades for clearing to 20 years for JPY TIBOR (D-TIBOR) and to 30 years for Euro-yen TIBOR (Z-TIBOR). • Add JPY IRS with initial and final stub to the eligible transactions for clearing. 	<ul style="list-style-type: none"> • Currently, the remaining term to maturity eligible for clearing is up to 10 years for JPY TIBOR and up to 20 years for Euro-yen TIBOR. • Currently, the trade with either initial stub or final stub is eligible for clearing.
III. Implementation Timing	<ul style="list-style-type: none"> • The implementation is aimed in September 2018. (Subject to approval by the Commissioner of the Financial Services Agency.) 	

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