

Outlines concerning Enhancement of Customer Convenience etc. in Interest Rate Swap Clearing Business

October 25, 2018

Japan Securities Clearing Corporation

I. Purpose

In addition to the existing Japanese language format of Interest Rate Swap Clearing Brokerage Agreement, to be executed between a Clearing Broker and its Customer, JSCC will introduce the English language format, etc. and will make other changes in order to enhance Customers' convenience, etc.

II. Outlines

Item	Description	Remarks
1. Introduction of English Original Version of Interest Rate Swap Clearing Brokerage Agreement and Letter of Undertaking	<ul style="list-style-type: none">As to Interest Rate Swap Clearing Brokerage Agreement, JSCC prescribes the English language original format in addition to the Japanese language original format.As to Letter of Undertaking to be submitted by a Customer to JSCC, JSCC prescribes the English language original format in addition to the Japanese language original format.	
2. Addition of Timing for Notification Submission and Withdrawal related to Application of Special Rules related to Client Clearing Fee	<ul style="list-style-type: none">As to timing when Clearing Broker is allowed to submit the notification of the Customer account to which the special rules related to Client Clearing Fee applies and the timing when Clearing Broker is allowed to withdraw such notification, June and December is added to currently permitted timing of March and September, thereby allowing submission or withdrawal quarterly.	<ul style="list-style-type: none">“Special rules related to Client Clearing Fee” mean the fee schedule for clients with large transaction volume which was introduced in addition to the original fee schedule calculated with notional amounts of cleared contracts (referring to the fee set forth in Article 5-2-2 of the Rules on Fees for IRS Clearing Business).There is no change to the point that, when opening new Customer Account, the notification can be submitted simultaneously with the account opening.

Item	Description	Remarks
<p>3. Introduction of Automatic Position Transfer</p> <p>(1) Outlines</p> <p>(2) Submission of Request etc.</p>	<ul style="list-style-type: none"> ▪ Under current framework, a user submits a request to JSCC at each time when it desires to transfer its position (including Position Transfer and take over) (hereinafter “Traditional Method”). ▪ To enhance user convenience, JSCC introduces, in addition to the Traditional Method, the scheme of automatic transfer of position to prescribed account every JSCC business day based on initial request (hereinafter referred to as “Automatic Transfer Method”). ▪ When using transfer via Automatic Transfer Method, the user shall submit a request identifying transferor and transferee account and giving other necessary information to JSCC in advance. ▪ On every JSCC business day, JSCC shall automatically transfer all Cleared Contracts booked on the transferor account so identified as of 4:00 p.m. to the account identified as transferee account. 	<ul style="list-style-type: none"> ▪ Traditional Method is still available. ▪ When transfer of all of the existing Cleared Contracts is not desired, partial transfer is possible via Traditional Method. ▪ When transferring via Automatic Transfer Method, JSCC shall transfer the position, if JSCC can confirm that transferor and transferee have deposited or delivered the amount of such Margin required to clear as with Traditional Method.

Item	Description	Remarks				
(3) Fee	<ul style="list-style-type: none"> ▪ In association with the introduction of Automatic Transfer Method, following fee shall be charged upon transfer of positions (except for the transfer upon default): <table border="1" data-bbox="544 395 1350 595" style="width: 100%; border-collapse: collapse;"> <tr> <td data-bbox="544 395 745 539" style="width: 30%;">Position Transfer Fee</td> <td data-bbox="745 395 1350 539">JPY2,000 per transferred Cleared Contract However, fee shall not accrue up to 100 transfers per 1 Fiscal Year</td> </tr> <tr> <td data-bbox="544 539 745 595">Fee Cap</td> <td data-bbox="745 539 1350 595">JPY40 million per 1 Fiscal Year</td> </tr> </table>	Position Transfer Fee	JPY2,000 per transferred Cleared Contract However, fee shall not accrue up to 100 transfers per 1 Fiscal Year	Fee Cap	JPY40 million per 1 Fiscal Year	<ul style="list-style-type: none"> ▪ Fee shall be calculated at 2nd layer account level. ▪ Fee shall be paid by the transferee (or, if the transferee is a Customer, its Clearing broker). ▪ Fee shall be charged to transfers via both Traditional Method and Automatic Transfer Method. ▪ Fiscal Year means a period of 1 year commencing on April 1 of every year and ending on March 31 of the next year.
Position Transfer Fee	JPY2,000 per transferred Cleared Contract However, fee shall not accrue up to 100 transfers per 1 Fiscal Year					
Fee Cap	JPY40 million per 1 Fiscal Year					
4. Implementation Timing	<ul style="list-style-type: none"> ▪ Aiming at December 2018 for Item 1 and 2 above, and May 2019 for Item 3 above. 					

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