

## Outlines concerning Transfer of Open Interests in IRS Clearing Business

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Japan Securities Clearing Corporation

### I. Purpose

In JSCC IRS Clearing Business, open interests are allowed to be transferred between an IRS Clearing Participant (hereinafter “Clearing Participant”) and another Clearing Participant, or between a Clearing Participant and a Customer in the same Corporate Group. Moreover, open interests are allowed to be transferred upon merger, demerger and business transfer (hereinafter collectively referred to as “Merger”) between Clearing Participants.

On the other hand, various different cases of transferring open interests can envisaged, such as a transfer of position to a Clearing Participant or a Customer outside of the Corporate Group, and a transfer in association with organizational restructuring involving a Customer (for example, Merger between a Clearing Participant and a Customer resulting in a transfer of open interests from a Clearing Participant to a Customer or from a Customer to a Clearing Participant, and Merger between Customers).

As such, to allow transfer open interests in various possible cases, the required frameworks will be established.

### II. Outlines

Item	Description	Remarks
1. Expansion of Scope of User of Transfer Framework	<ul style="list-style-type: none"> <li>• Transfer of the unsettled Clearing Brokerage Contract from a Customer to a Clearing Participant or another Customer outside of its Corporate Group is allowed.</li> <li>• Transfer of the unsettled Cleared Contract from a Clearing Participant to a Customer outside of its Corporate Group is allowed.</li> </ul>	<ul style="list-style-type: none"> <li>• Procedures, such as application, completion and requirements, of Transfer will be the same as the procedures applicable to the existing Transfer scheme.</li> <li>• Procedures, such as application, completion and requirements, of Transfer will be the same as the procedures applicable to the existing Transfer scheme.</li> </ul>
2. Establishment of Transfer Framework associated with Corporate Restructuring (1) Merger wherein Clearing	<ul style="list-style-type: none"> <li>• The Clearing Participant involved in the Merger may, with JSCC’s</li> </ul>	<ul style="list-style-type: none"> <li>• After the effective date of the Merger, outstanding Cleared</li> </ul>

Item	Description	Remarks
Participant's Position is Migrated to Customer	<p>approval, have its outstanding Cleared Contracts taken over by a Customer.</p> <ul style="list-style-type: none"> <li>• The Customer taking over Cleared Contracts shall obtain its Clearing Broker's consent in advance. If there is no hope of an acquisition of this consent, JSCC may have that parties to the Merger make arrangements deemed necessary.</li> </ul>	<p>Contracts to be taken-over shall be treated as below:</p> <ul style="list-style-type: none"> <li>• Clearing Brokerage Contracts between the Customer taking over Cleared Contracts and its Clearing Broker</li> <li>• Customer's Cleared Contracts between the Clearing Broker and JSCC</li> <li>• As examples of "arrangements deemed necessary," (a) position termination and (b) exclusion of the position from the scope of demerger or business transfer can be expected.</li> <li>• Customer's position of a Clearing Participant is out of the scope of this framework.</li> </ul>
(2) Merger wherein Customer's Position is Migrated to Clearing Participant	<ul style="list-style-type: none"> <li>• The Customer involved in the Merger may, with JSCC's approval, have its outstanding Clearing Brokerage Contracts taken over by the Clearing Participant.</li> <li>• The Customer originally holding the position shall obtain its Clearing Broker's consent in advance. If there is no hope of an acquisition of this consent, JSCC may have that parties to the Merger make arrangements deemed necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• After the effective date of the Merger, outstanding contracts to be taken-over shall be treated as Proprietary Cleared Contracts between the Clearing Participant taking over position and JSCC.</li> <li>• As examples of "arrangements deemed necessary," (a) position termination and (b) exclusion of the position from the scope of demerger or business transfer can be expected.</li> </ul>
(3) Merger wherein Customer's Position is Migrated to	<ul style="list-style-type: none"> <li>• The Customer involved in the Merger may, with JSCC's approval, have its outstanding Clearing Brokerage Contracts taken over by</li> </ul>	<ul style="list-style-type: none"> <li>• After the effective date of the Merger, outstanding contracts to be taken-over shall be treated as below:</li> </ul>

Item	Description	Remarks
Another Customer	<p>another Customer.</p> <ul style="list-style-type: none"> <li>▪ Each party to the Merger shall obtain consent of its Clearing Broker in advance. If there is no hope of an acquisition of this consent, JSCC may have that parties to the Merger make arrangements deemed necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Clearing Brokerage Contracts between the Customer taking over position and its Clearing Broker</li> <li>• Customer's Cleared Contracts between the Clearing Broker and JSCC</li> <li>• As examples of "arrangements deemed necessary," (a) position termination and (b) exclusion of the position from the scope of demerger or business transfer can be expected.</li> </ul>
3. Implementation Timing	<ul style="list-style-type: none"> <li>▪ Implementation is scheduled in April 2018. (Subject to authorization of the Commissioner of the Financial Services Agency.)</li> </ul>	

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