

Outlines concerning Addition of Management Methods of Clearing Deposit in the Form of JPY Cash in OTC Derivatives Clearing Service

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Japan Securities Clearing Corporation

I. Purpose

JSCC will allow some additional methods for the management of the Clearing Deposit deposited by Clearing Participants and Customers in the form of cash (hereinafter referred to as “JPY Cash Collateral”) that is held in trust to deal with future change in management environment, and will make necessary arrangements in the rules required due to the change of trust fee JSCC owes to the trust bank in association with a replacement of a trust bank to act as custodian for the Clearing Deposit.

II. Outline

Item	Description	Remarks
1. Additional Management Methods for JPY Cash Collateral	<ul style="list-style-type: none">• The methods listed below are added to the methods allowed for JPY Cash Collateral management related to OTC Derivatives Clearing Service:<ul style="list-style-type: none">i) Time deposit at the trust bank at which Clearing Fund, Initial Margin and Default Contingent Margin (hereinafter referred to as “Collaterals”) are held in trust;ii) Reverse repo transactions with financial institutions; andiii) Investment in JGBs.	<ul style="list-style-type: none">• In the same manner as current framework, the type of collateral subject to the management is JPY Cash Collateral held in trust at the trust bank.• Under current rules, secured call loan lending, bank account lending to trust banks with sufficient creditworthiness and deposit in trust bank’s ordinary savings account are the permitted management methods.• As to ii), securities acceptable as collateral are JGBs only.• As to iii), JGBs eligible for investment are limited to those with remaining term to maturity of 1 year

Item	Description	Remarks
		or less at the time of investment.
2. Revision of Collateral Fee Calculation Method	<ul style="list-style-type: none"> In association with an addition of the JPY Cash Collateral management methods, out of the Collateral Fee, the calculation method of the costs related to Money Trust (applicable only when a negative interest rate applies to a portion of the current account under the Complimentary Deposit Facility of the Bank of Japan and JSCC is to bear the trust fee corresponding to such interest rate) shall be as follows: The sum of the values obtained by below formulae on each day during the Calculation Period: (JPY Cash Collateral posted by a Clearing Participant to JSCC on the relevant day which are deposited in ordinary savings account and time deposit of the bank which operates trust business) X 1/365 X (absolute value of the relevant negative interest rate) In association with the change of the trust fee payable to the trust bank, out of the Collateral Fee, the calculation method of the securities collateral management costs shall be as follows: i) JGB Management Costs (Average of total face value of JGB a Clearing Participant posted to JSCC as Collaterals during the Calculation Period) X (Actual number of days in the Calculation Period) / 365 X 0.5 / 10,000 	<ul style="list-style-type: none"> When JPY Cash Collateral is managed through multiple methods, including deposits, the amount of a Clearing Participant's JPY Cash Collateral managed as deposit to the trust bank shall be calculated by prorating the aggregate amount of the funds managed as deposit according to the total amount JPY Cash Collateral posted by the relevant Clearing Participant.

Item	Description	Remarks
	<p>ii) US Treasuries Management Costs: The sum of the values obtained by formulae in a. through c. below:</p> <p>a. (Average of total face value of US Treasuries a Clearing Participant posted to JSCC as Collaterals during the Calculation Period) X (Actual number of days in the Calculation Period) / 365 X 0.5 / 10,000</p> <p>b. (Sum of the market value of US Treasuries a Clearing Participant posted to JSCC as Collaterals as of the end of each month) X (Actual number of days in the relevant month) / 365 X 1.0 / 10,000</p> <p>c. USD 20 X (Number of posting and withdrawal instructions given by a Clearing Participant to JSCC in relation to US Treasuries posted as Collaterals during the relevant Calculation Period)</p>	<ul style="list-style-type: none"> • The face value in a. shall be the JPY equivalent of that amount converted into JPY in the manner prescribed by JSCC in public notice. • The market value in b. shall be the amount calculated by JSCC in the manner prescribed in public notice, then converted into JPY. • The fee in c. shall be the JPY equivalent converted into JPY in the manner prescribed by JSCC in public notice.

III. Implementation Timing

The implementation timing shall be April 1, 2024.