

## Outlines related to Revisions of Handling of Interest on Clearing Deposit in the form of Cash in IRS Clearing Service

December 11, 2025  
Japan Securities Clearing Corporation

### I. Purpose

JSCC will make necessary framework revisions for an enhancement of predictability of the interest on the Clearing Deposit deposited by Clearing Participants and Customers in Cash and held in trust at the trust bank (“Cash Collateral”) and a mitigation of loss share of Clearing Participants and Customers arising from the management of Cash Collateral.

### II. Outline

Item	Description	Remarks
1. Change of Cash Collateral Interest Calculation Method		
(1) Outline	<ul style="list-style-type: none"> <li>Currently, JSCC is to calculate the interest on Cash Collateral paid to Clearing Participants and Customers by allocating the management profit remaining after a deduction of the predetermined amount to Clearing Participants and Customers according to the average balance of Cash Collateral posted with JSCC by each of them. Now, JSCC will change the interest calculation method and obtain the amount of interest by using a prescribed formula.</li> </ul>	<ul style="list-style-type: none"> <li>In the same manner as current practice, the Clearing Deposit in JPY Cash deposited as Cash held in the BOJ current account will accrue no interest.</li> </ul>
(2) Formula	<ul style="list-style-type: none"> <li>The amount of interest on Cash Collateral JSCC manages shall be calculated, separately in each currency, in the following manner:                             <ul style="list-style-type: none"> <li>i) Interest on Cash Collateral Posted in the form of JPY Cash (“JPY Cash Collateral”)                                     <p>Sum of the amount obtained by the following formula on each day during a calculation period:</p> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The JPY Cash Collateral interest rate JSCC prescribes via public notice shall be the interest rate obtained by the formula below:  <math>0.75 \times (\text{TONA} - 30\text{bp}) + 0.25 \times (\text{Trust Bank's Ordinary})</math> </li> </ul>

Item	Description	Remarks
	<p>(JPY Cash Collateral Balance on the Day) x (JPY Cash Collateral Interest Rate JSCC Prescribes via Public Notice) / 365</p> <p>ii) Interest on Cash Collateral Posted in the form of USD Cash (“USD Cash Collateral”) Sum of the amount obtained by the following formula on each day during a calculation period: (USD Cash Collateral Balance on the Day) x (USD Cash Collateral Interest Rate JSCC Prescribes via Public Notice) / 365</p>	<p>Deposit Interest Rate - 0bp)</p> <ul style="list-style-type: none"> <li>• TONA refers to the weighted average of overnight unsecured call rate published by the Bank of Japan, which is the base rate for a calculation of the amount of interest on JPY Cash Collateral.</li> <li>• Trust Bank’s Ordinary Deposit Interest Rate refers to the interest rate for ordinary savings published by the bank engaging in the trust business at which JSCC establishes the trust for the Clearing Deposit.</li> <li>• The USD Cash Collateral interest rate JSCC prescribes via public notice shall be the interest rate obtained by the formula below: EFFR - 100bp</li> <li>• EFFR refers to Effective Federal Funds Rate published by the Federal Reserve Bank of New York, which is the base rate for a calculation of the amount of interest on USD Cash Collateral.</li> <li>• In the calculation of the interest rate for each currency, if the value obtained by subtracting the value prescribed by JSCC from the base rate, i.e., TONA, Trust Bank’s Ordinary Deposit Interest Rate or EFFR, is negative, such negative value shall be deemed zero (0). For example, when TONA is 20bp, the value obtained by subtracting the value JSCC prescribes from the base rate is -10bp (= 20bp - 30bp). So, the amount of interest will be obtained by deeming the relevant value</li> </ul>

Item	Description	Remarks
(3) Other	<ul style="list-style-type: none"> <li>The calculation period for the Collateral Fee and the amount of interest on Cash Collateral (referring to the calculation period set forth in Article 5-4.2 of the Rules on Fees for IRS Clearing Business) will be changed from quarterly to monthly.</li> <li>The Collateral Fee is currently payable by Clearing Participants to JSCC by the 20th day of the second month following the month in which the last day of the current calculation period belongs. This payment due will be changed to by the 20th day of the next month following each month.</li> </ul>	<p>as zero and using the formula below:  <math display="block">(\text{JPY Cash Collateral Balance on the Day}) \times 0.25 \times (\text{Trust Bank's Ordinary Deposit Interest Rate} - 0\text{bp}) / 365</math></p> <ul style="list-style-type: none"> <li>JSCC will give an advance notice when it changes any of the prescribed values in the formula for a calculation of interest rate in each currency.</li> <li>In the same manner as current practice, the interest on JPY Cash Collateral shall be netted against Clearing Fee and other fees payable by Clearing Participants and the interest on USD Cash Collateral shall be paid in USD (no netting with Clearing Fee and other fees).</li> <li>For example, the Collateral Fee payment and the netting/payment of the interest to be paid by JSCC for April shall be made by May 20 together with the payment of Clearing Fee and other fees payable by each Clearing Participants.</li> </ul>
2. Reserve for Covering Loss from Management (1) Outline	<ul style="list-style-type: none"> <li>JSCC will set aside a reserve for a loss from the management of Cash Collateral ("Reserve for Management Loss") from a viewpoint of a mitigation of burden on Clearing Participants and Customers.</li> <li>When JSCC earns a profit from the management of Cash Collateral, JSCC will accumulate the amount of JSCC's profit after deducting tax, i.e. the amount obtained by deducting the amount of interest payable to</li> </ul>	<ul style="list-style-type: none"> <li>The initial contribution amount will be decided separately in light of the future discussions related to handling of the retained earnings.</li> </ul>

Item	Description	Remarks
(2) Handling when Loss Arises	<p>Clearing Participants and Customers determined based on 1.(2) above, the costs and fees required for the management and the tax to be payable by JSCC (the same applies hereinafter), to the Reserve for Management Loss.</p> <ul style="list-style-type: none"> <li>When JSCC's profit after deducting tax to be set aside as the Reserve for Management Loss as mentioned above arises from the management of USD Cash Collateral, then the amount remaining after deducting the cost required for a conversion of such amount in USD to JPY from JSCC's profit after deducting tax shall be reserved.</li> <li>When any loss arises from the management of Cash Collateral, JSCC will cover such loss by the Reserve for Management Loss.</li> <li>If the Reserve for Management Loss is insufficient to cover such loss, Clearing Participants and Customers shall bear the amount determined by prorating the uncovered loss according to their Cash Collateral balance deposited with JSCC at the time prescribed by JSCC.</li> </ul>	<ul style="list-style-type: none"> <li>In the same manner as current practice, the time prescribed by JSCC shall be 4:00 p.m. on the JSCC Business Day immediately preceding the date a loss of trust asset arises from the management.</li> </ul>
3. Handling of Interest for Customers (1) Outline	<ul style="list-style-type: none"> <li>As to the amount JSCC pays to a Clearing Broker as an interest for its Customer, the Clearing Broker may handle the amount of interest as pre-agreed between the Clearing Broker and the Customer, in addition to the handling wherein the Clearing Broker shall pay the entire amount of Cash received as interest to the Customer.</li> <li>In case of a substitute deposit, a Clearing Broker may likewise handle the interest paid by the Clearing Broker on the Customer Initial Margin deposited by a Customer in the manner per-agreed between the Clearing</li> </ul>	

Item	Description	Remarks
(2) Notification from Clearing Broker who Desires to Use this Framework	<p>Broker and the Customer.</p> <ul style="list-style-type: none"> <li>The Clearing Broker who desires to use this framework (or stop utilization) shall notify JSCC of that effect in advance. In this case, the Clearing Broker intending to submit this notification must have agreed with the Customer in advance on the contents of such notification.</li> <li>The notification shall only be allowed at the Clearing Broker level, and no selection of utilization/non-utilization by each Customer is allowed.</li> </ul>	<ul style="list-style-type: none"> <li>As to the interest for Customers of the Clearing Broker who does not desire utilization of this framework, the entire amount it received as an interest for its Customers shall be paid to the Customers, in the same manner as current practice.</li> <li>A Clearing Broker who desires utilization of this framework shall notify such effect by the 20th day of the previous month of the change.</li> </ul>
(3) Handling When Loss Arises	<ul style="list-style-type: none"> <li>When any loss arises from the management of Cash Collateral and the Reserve for Management Loss set forth in 2.(2) is insufficient to cover the loss, the Clearing Broker using this framework shall bear the loss share for itself as well as the amount determined according to the Cash Collateral balance of its Customers.</li> </ul>	<ul style="list-style-type: none"> <li>When a Clearing Broker uses this framework, JSCC treats the interest JSCC pays as vested in the Clearing Broker. So, when a loss arises, the Clearing Broker shall bear the loss, including the loss share for the Customers, as the actual obligor for the loss.</li> </ul>

### III. Implementation Timing

April 1, 2026 (tentative)

DISCLAIMER: This is the reference translation of the original Japanese document. Japan Securities Clearing Corporation shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of Japan Securities Clearing Corporation.