

System Revision associated with Revision of Settlement by Physical Delivery and Payment Scheme and Shortening of Period from Last Trading Day to Day of Settlement by Physical Delivery and Payment

November 26, 2014  
Japan Securities Clearing Corporation

Item	Outline	Remarks
I. Purpose	<ul style="list-style-type: none"> <li>• The calculation method of accrued interests in Settlement by Physical Delivery and Payment in relation to Large JGB Futures Contracts listed on Osaka Exchange, Inc. (hereinafter referred to as “OSE”) will be revised in association with FY 2013 Tax Reform (integration of taxation on financial income and gains, and revision of taxation system for public and corporate bonds, etc.). So, JSCC will implement necessary revisions to its system to abolish the classification of taxable and non-taxable treatment of accrued interests in Settlement by Physical Delivery and Payment.</li> </ul> <p>Also, at OSE, the period from the last trading day to the Day of Settlement by Physical Delivery and Payment will be shortened for 2 business days. In association with this change, JSCC will revise reporting cut-off time for issues subject to settlement for the Settlement by Physical Delivery and Payment and partially revise calculation method related to Base Amount of Clearing Fund for Settlement by Physical Delivery and Payment which comprises a part of the clearing fund requirement related to JGB Futures Clearing Qualification.</p>	<ul style="list-style-type: none"> <li>• For Large JGB Futures Contracts listed on OSE, the period from the last trading day to the Day of Settlement by Physical Delivery and Payment will be shortened for 2 business days, and the last trading day will be 5 business days preceding the Day of Settlement by Physical Delivery and Payment for contract month of December 2015 and subsequent contract month.</li> </ul> <p>(Under current rules, the last trading</p>

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<p>II. Outline of Revision</p> <p>1. Abolition of Classification of Taxable and Non-taxable Treatment for Settlement by Physical Delivery and Payment</p> <p>2. Reporting Cut-off Time for Issues subject to Physical Delivery</p> <p>3. Revision of Calculation Method for Base Amount of Clearing Fund for Settlement by Physical Delivery and Payment</p>	<ul style="list-style-type: none"> <li>• In the treatment of accrued interests in Settlement by Physical Delivery and Payment of JGB Futures Contracts, the classification of taxable and non-taxable treatment will be abolished.</li> <li>• In association with this change, the operations involved in the reporting from Clearing Participants and assignment related to the classification of taxable or non-taxable treatment of accrued interests will be abolished.</li> <li>• The reporting cut-off time for issues subject to physical delivery will be changed to 3:00 p.m. on the second day from, and including, the day on which the last trading day closes.</li> <li>• As to Volatility of Settlement Price used for calculation of the Base Amount of Clearing Fund for Settlement by Physical Delivery and Payment comprising a part of clearing fund requirement related to JGB Futures Clearing Qualification, the observation period for price fluctuation will be changed from “6 trading days” to “4 trading days.”</li> </ul>	<p>day is 7 business days preceding the Day of Settlement by Physical Delivery and Payment.)</p> <ul style="list-style-type: none"> <li>• OSE will also make similar system revision to abolish deduction of tax equivalent in the calculation of taxable accrued interests.</li> <li>• Currently, the reporting cut-off time is 3:00 p.m. on the fourth day from, and including, the day on which the last trading day closes.</li> <li>• Revision associated with shortening of the period from last trading day to Day of Settlement by Physical Delivery and Payment by 2 business days.</li> </ul>

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4. Other	<ul style="list-style-type: none"> <li data-bbox="533 252 1554 384">• Extension period of the last trading day of JGB Futures Contracts in accordance with “Contingency Plan for Last Trading Day of Futures and Options Trading” will be 1 business day.</li> <li data-bbox="533 395 1039 427">• Other necessary revisions will be made.</li> </ul>	<ul style="list-style-type: none"> <li data-bbox="1599 252 2069 528">• Under this Contingency Plan, when trading at the exchange is suspended due to emergency, the last trading day is expected to be extended. Under current system, the extension period is allowed up to 2 business days.</li> </ul>
III. Implementation Timing	<ul style="list-style-type: none"> <li data-bbox="533 592 1554 671">• These revisions shall start to apply from the Settlement by Physical Delivery and Payment for contract month of December 2015.</li> </ul>	

End of Document

## Reference

# Change of Settlement Flow associated with Extension of Last Trading Day

From Dec. 2015 and subsequent contract months, it is not necessary to identify taxable or non-taxable status of position holder. So, operations related to notification of taxable or non-taxable status currently conducted on L+1 and L+2 will be abolished, and last trading day of Large JGB Futures Contracts will be extended for 2 business days.

Settlement flow after change will be as follows:

### Current Operational Flow

Last Trading Day	
L+1	Report Taxable and Non-Taxable Positions
L+2	Correction notice for the report above
L+3	Report Issues for Physical Settlement
	Reconcile Delivery/Receipt Quantity, etc. for Clearing House
L+4	Correction Notice for Issues for Physical Settlement
	Notify Correction of Issues for Physical Settlement
L+5	Report In-House Settlement Amount
	Confirm Fund Settlement Data
L+6	Correction Notice for In-House Settlement Amount
Day of Settlement by Physical Delivery and Payment	

Extended for  
2 Business Days

### Operational Flow from Dec. 2015 and Subsequent Contract Months

Last Trading Day	
L+1	Report Issues for Physical Settlement
	Reconcile Delivery/Receipt Quantity, etc. for Clearing House
L+2	Correction Notice for Issues for Physical Settlement
	Notify Correction of Issues for Physical Settlement
L+3	Report In-House Settlement Amount
	Confirm Fund Settlement Data
L+4	Correction Notice for In-House Settlement Amount
Day of Settlement by Physical Delivery and Payment	

Last Trading Day of Mini JGB Futures (i.e. Last Trading Day of Large Contracts - 1) will also be extended for 2 business days.