

Outlines of Subsequent Collateral Allocation Repos Clearing

November 26, 2014

Japan Securities Clearing Corporation

I. Introduction

- After the examination and discussion on issues concerning shortening of the settlement cycle for Japanese government bonds (JGBs) (T+1 for outright transactions and SC repos, and T+0 for GC repos), the “Working Group on Shortening of JGB Settlement Cycle” of Japan Securities Dealers Association has put together the “Grand Design for Shortening of JGB Settlement Cycle (T+1)” which addresses, among other things, an introduction of GC repo transactions through a method of contracting by basket (a group of multiple issues) without specifying collateral, and allocating collateral from inventory of JGB delivering party just before the delivery for the Starting Transaction (hereinafter referred to as “Subsequent Collateral Allocation Repos”).
- These outlines summarize the system outlines expected to be introduced if JSCC were to handle Subsequent Collateral Allocation Repos as a part of its JGB OTC Transaction Business.
- The management decision on the handling of Subsequent Collateral Allocation Repos by JSCC will be made once consensus among market participants and other stakeholders on the details of system and operations, utilization of services to be provided by JSCC regarding the Subsequent Collateral Allocation Repos and implementation timing of shortening of settlement cycle is made through the discussions at the above Working Group and other forum involving market participants. The sections of these Outlines involving Japan Securities Depository Center, Inc. and Securities Identification Code Committee are conditional upon consent of the said organizations.

II. Outlines

Item	Description	Remarks
1. Transaction Subject to Clearing		

Item	Description	Remarks
(1) Eligible Product	<ul style="list-style-type: none"> • Financial instruments subject to the Subsequent Collateral Allocation Repos are Japanese government bonds (excluding Inflation-Indexed Japanese government bonds and Japanese government bonds for retail investors). 	<ul style="list-style-type: none"> • Same as current JGB OTC Transaction Clearing Business.
(2) Eligible Transactions	<ul style="list-style-type: none"> • Transactions subject to the Subsequent Collateral Allocation Repos are Repo Transactions satisfying the following criteria: <ol style="list-style-type: none"> a. Transaction designating the basket specified by JSCC; b. If an application for the Clearing is made during the period from 7:00 a.m. to 2:00 p.m. on the contract day, the Starting Transaction delivery day is the contract day. If the application for the Clearing is made during the period from 2:00 p.m. on the contract day through 2:00 p.m. on the next day following the contract day (or, if such day falls on a holiday, next day which is not a holiday; the same applies hereinafter), the Starting Transaction delivery day is the next day following the contract day; c. The Ending Transaction delivery day arrives on or before the corresponding day after one (1) year from the contract day; d. As of the time of contracting, the Ending Transaction delivery day has been fixed; e. The delivery amount for the Starting Transaction is the integral multiple of 10 million yen; f. The delivery amount for both the Starting Transaction and the Ending Transaction is less than 1 trillion yen; g. Repo Transaction with accrued interest; h. Transaction which does not involve re-pricing; i. Transaction to which haircut does not apply; and j. For transactions facing a Trust Account, the fund code is identified. 	<ul style="list-style-type: none"> • Same as current JGB OTC Transaction Clearing Business, except for a, b, e and j.
(3) Basket	<ul style="list-style-type: none"> • JSCC will set baskets specifying a scope of issues out of which allocation is to be made in the Subsequent Collateral Allocation Repos (hereinafter referred to as “Issues subject to Allocation”). 	<ul style="list-style-type: none"> • Establishment and review of baskets shall be the matter to be consulted with the advisory committee.

Item	Description	Remarks
<p>2. Clearing [<i>Assumption of Obligations</i>]</p> <p>(1) Application for Clearing</p>	<ul style="list-style-type: none"> • Contents of baskets shall be reviewed periodically. • Issue code of the basket will be ISIN Code and Bond Issue Code. • JSCC will disclose information on change of Issues subject to Allocation included in baskets. • A Clearing Participant in JSCC JGB OTC Transaction Clearing Business (hereinafter referred to as “Clearing Participant”) may apply to JSCC for Clearing in respect of the Subsequent Collateral Allocation Repos in the manner prescribed by JSCC. • A Clearing Participant shall apply for Clearing by specifying the following: <ul style="list-style-type: none"> a. Name of delivering Clearing Participant and receiving Clearing Participant; b. Netting accounts of delivering Clearing Participant and receiving Clearing Participant; 	<ul style="list-style-type: none"> • Details of review frequency and procedures will be separately discussed. • Detailed handling of Codes will be discussed with Securities Identification Code Committee. • See Annex 1 for the illustration of expected baskets. • No new Clearing Qualification will be established. • The manner prescribed by JSCC shall be the application through the Pre-Settlement Matching System of Japan Securities Depository Center, Inc. (same as current JGB OTC Transaction Clearing Business). • An application for Clearing may be made through an agent (same as current JGB OTC Transaction Clearing Business). • Same as current JGB OTC Transaction Clearing Business, except for c and e (issue and quantity of Japanese

Item	Description	Remarks																
(2) Clearing	<p>c. Fund code related to Transaction subject to Clearing (in respect of transactions involving Netting Account that is a Trust Account);</p> <p>d. Contracting day</p> <p>e. Basket;</p> <p>f. The amount of money to be paid/received on the Starting Transaction delivery day and the amount of money to be paid/received on the Ending Transaction delivery day;</p> <p>g. Starting Transaction delivery day and Ending Transaction delivery day; and</p> <p>h. In case of the transaction subject to Brokerage for Clearing of Securities, etc., such effect.</p> <p>• Times (1) to start receiving application for Clearing, (2) application cutoff time and (3) when obligations are assumed are as follows:</p> <table border="1" data-bbox="539 730 1532 1337"> <thead> <tr> <th></th> <th>1st</th> <th>2nd</th> <th>3rd</th> </tr> </thead> <tbody> <tr> <td>Start Receiving Application</td> <td>2:00 p.m. on previous day (or if such day falls on a holiday, preceding day that is not a holiday; the same applies hereinafter)</td> <td>7:00 a.m. on current day</td> <td>11:00 a.m. on current day</td> </tr> <tr> <td>Application Cutoff Time</td> <td>9:00 p.m. on previous day</td> <td>11:00 a.m. on current day</td> <td>2:00 p.m. on current day</td> </tr> <tr> <td>Timing of Clearing</td> <td>7:00 a.m. on current day</td> <td>11:00 a.m. on current day</td> <td>2:00 p.m. on current day</td> </tr> </tbody> </table>		1st	2nd	3rd	Start Receiving Application	2:00 p.m. on previous day (or if such day falls on a holiday, preceding day that is not a holiday; the same applies hereinafter)	7:00 a.m. on current day	11:00 a.m. on current day	Application Cutoff Time	9:00 p.m. on previous day	11:00 a.m. on current day	2:00 p.m. on current day	Timing of Clearing	7:00 a.m. on current day	11:00 a.m. on current day	2:00 p.m. on current day	<p>government bonds that are required to be notified when applying for Clearing under current JGB OTC Transaction Clearing Business is not required to be notified).</p> <p>• Cutoff time for Clearing and the like will be subject to ongoing discussion in light of Clearing Participants' needs and JSCC's system accommodation burden, etc.</p>
	1st	2nd	3rd															
Start Receiving Application	2:00 p.m. on previous day (or if such day falls on a holiday, preceding day that is not a holiday; the same applies hereinafter)	7:00 a.m. on current day	11:00 a.m. on current day															
Application Cutoff Time	9:00 p.m. on previous day	11:00 a.m. on current day	2:00 p.m. on current day															
Timing of Clearing	7:00 a.m. on current day	11:00 a.m. on current day	2:00 p.m. on current day															

Item	Description	Remarks
(3) Clearing related to Unwind and Rewind	<ul style="list-style-type: none"> • Upon receipt of an application for Clearing from a Clearing Participant, JSCC will assume following obligations by each Transaction subject to Clearing, wherein the obligations set forth in a. and b. below shall be referred to as the “Starting Obligations” and the obligations set forth in c. and d. below shall be referred to as “Ending Obligations”: a. The obligations to pay the amount to be paid/received for Starting Transaction on the Starting Transaction delivery day owed by the receiving Clearing Participant against the delivering Clearing Participant; b. The obligations to deliver the Japanese government bonds of the issue and in the quantity to be subsequently specified by JSCC separately as those corresponding to the amount to be paid/received on the Starting Transaction delivery day (hereinafter referred to as “Allocated JGBs”) owed by the delivering Clearing Participant against the receiving Clearing Participant; c. The obligation to pay the amount to be paid/received for Ending Transaction on the Ending Transaction delivery day owed by the delivering Clearing Participant against the receiving Clearing Participant; d. The obligation to deliver Allocated JGBs on the Ending Transaction delivery day owed by the receiving Clearing Participant against the delivering Clearing Participant. • At the time of the Clearing described in (2) above, the following obligations come into existence between JSCC and the Clearing Participant in respect of the transaction subject to such Clearing, wherein the obligations described in a. through d. below shall be referred to as “Unwind Obligations” and the obligations described in e. through h. below shall be referred to as “Rewind Obligations”: a. The obligation of the delivering Clearing Participant to pay funds to JSCC in the amount equivalent to the amount to be paid/received for Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day 	<ul style="list-style-type: none"> • There will be no Clearing related to Unwind and Rewind for overnight transactions.

Item	Description	Remarks
	<p>(excluding holidays; the same applies hereinafter);</p> <p>b. The obligation of JSCC to pay funds to the receiving Clearing Participant in the amount equivalent to the amount to be paid/received for Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>c. The obligation of the receiving Clearing Participant to deliver the Allocated JGBs to JSCC on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>d. The obligation of JSCC to deliver the Allocated JGBs to the delivering Clearing Participant on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>e. The obligation of the receiving Clearing Participant to pay funds to JSCC in the amount equal to the amount to be paid/received for Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>f. The obligation of JSCC to pay funds to the delivering Clearing Participant in the amount equal to the amount to be paid/received for the Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>g. The obligation of the delivering Clearing Participant to deliver the Allocated JGBs to JSCC on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day; and</p> <p>h. The obligation of JSCC to deliver the Allocated JGBs to the receiving Clearing</p>	<ul style="list-style-type: none"> • The obligation to deliver the Allocated JGBs in the Clearing related to Unwind and Rewind shall be the basket based obligations before determination of issues.

Item	Description	Remarks
3. Basket Netting	<p>Participant on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day.</p> <ul style="list-style-type: none"> • At each time of the Clearing related to Subsequent Collateral Allocation Repos and the Clearing related to Unwind and Rewind, the obligations (excluding the obligation to deliver the Allocated JGBs for which collaterals have already been determined and corresponding payment obligation) with the same basket and delivery day (referring to the day on which such obligation is to be performed) shall be netted between the obligations specified below. As a result of the netting, the following obligations shall become a single obligation between JSCC and the Clearing Participant in the amount or quantity remaining after the netting. In this case, the result of netting in a. below shall be referred to as “Starting/Rewind Obligation” and the result of netting in b. below shall be referred to as the “Ending/Unwind Obligation”: a. Starting Obligation and Rewind Obligation; and b. Ending Obligation and Unwind Obligation. 	
4. Handling of Issues to be Allocated and Allocable Quantities	<ul style="list-style-type: none"> • A Clearing Participant shall submit Allocable Balance Notice [Positive List] stating the issues available for allocation and their balance by each Netting Account (or by fund, for a Netting Account that is a Trust Account) in the manner prescribed by JSCC. 	<ul style="list-style-type: none"> • See Annex 2 for treatment of accounts for Subsequent Collateral Allocation Repos. • The manner prescribed by JSCC shall be through Pre-Settlement Matching System of Japan Securities Depository Center, Inc. • Clearing Participant which will not become the delivering party of JGBs is

Item	Description	Remarks
<p>5. Collateral Allocation</p> <p>(1) Matching for Collateral Allocation</p> <p>(2) Collateral Allocation</p> <p>a. Handling at 1st Collateral Allocation</p>	<ul style="list-style-type: none"> • Based on information stated in the Allocable Balance Notice submitted by the Clearing Participant and other information, JSCC will decide issues subject to allocation and allocable quantities. • After the basket netting, JSCC will match up the delivering Clearing Participant and the receiving Clearing Participant for a result of the basket netting in the manner prescribed by JSCC. • First collateral allocation shall cover following basket positions (referring to the claims and obligations for delivery of Allocated JGBs before collateral determination; the same applies hereinafter): <ul style="list-style-type: none"> (i) Basket position corresponding to Starting/Rewind Obligations based on 1st basket netting results of which delivery day is the current day; (ii) Basket position corresponding to Ending/Unwind Obligations based on 1st basket netting results of which delivery day is the next day. • The collateral allocation under (i) shall be determined by selecting the Allocated JGBs by each pair of delivering Clearing Participant and receiving Clearing Participant, within the scope of issues subject to allocation and allocable quantity related to 1st collateral allocation in respect of the relevant delivering Clearing Participant in the manner 	<ul style="list-style-type: none"> not required to submit the Allocable Balance Notice. • The Allocable Balance Notice may be submitted through an agent. • See Annexes 3 and 4 for the treatment of the Allocable Balance Notice. • See Annex 5 for detailed collateral allocation method and illustration of collateral allocation. • Collateral allocation shall only cover Starting/Rewind Obligations for which the current day is the delivery day, and Ending/Unwind Obligations for which the next day is the delivery day. • Scope of the issues to be allocated and allocable quantity for 1st collateral allocation shall be limited to the issues and quantities to be received by the

Item	Description	Remarks
<p>b. Handling at 2nd Collateral Allocation</p> <p>c. Handling at 3rd</p>	<p>prescribed by JSCC.</p> <ul style="list-style-type: none"> • The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). • If, in the first collateral allocation, the allocable quantity falls short of the quantity constituting the obligations of the delivering Clearing Participant to deliver the Allocated JGBs in respect of the basket position in (i), such shortage (including the basket position under (ii) corresponding to the basket position under (i)) shall be subject to 2nd collateral allocation. • Second collateral allocation shall cover following basket positions: <ul style="list-style-type: none"> (i) Basket position corresponding to Starting/Rewind Obligations based on the 2nd basket netting results of which the current day is the delivery day; (ii) Basket position corresponding to Ending/Unwind Obligations based on the 2nd basket netting results of which the next day is the delivery day. • The collateral allocation under (i) shall be determined by selecting the Allocated JGBs by each pair of delivering Clearing Participant and receiving Clearing Participant, within the scope of issues subject to allocation and allocable quantity related to 2nd collateral allocation in respect of the relevant delivering Clearing Participant in the manner prescribed by JSCC. • The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). • If, in the 2nd collateral allocation, the allocable quantity falls short of the quantity constituting the obligations of the delivering Clearing Participant to deliver the Allocated JGBs in respect of the basket position in (i), such shortage (including the basket position under (ii) corresponding to the basket position under (i)) shall be subject to 3rd collateral allocation. • Third collateral allocation shall cover following basket positions: 	<p>delivering Clearing Participant on the current day.</p>

Item	Description	Remarks
<p>Collateral Allocation</p> <p>(3) Notification of Collateral Allocation Results, etc.</p> <p>6. Settlement</p> <p>(1) Delivery Quantity and Settlement Amount</p>	<p>(i) Basket position corresponding to Starting/Rewind Obligations based on the 3rd basket netting results of which the current day is the delivery day;</p> <p>(ii) Basket position corresponding to Ending/Unwind Obligations based on the 3rd basket netting results of which the next day is the delivery day.</p> <ul style="list-style-type: none"> • The collateral allocation under (i) shall be determined by selecting the Allocated JGBs by each pair of delivering Clearing Participant and receiving Clearing Participant, within the scope of issues subject to allocation and allocable quantity related to 3rd collateral allocation in respect of the relevant delivering Clearing Participant in the manner prescribed by JSCC. • The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). • If, in the 3rd collateral allocation, the allocable quantity falls short of the quantity constituting the obligations of the delivering Clearing Participant to deliver the Allocated JGBs, the collateral allocation outside of scope of allocable quantity shall be conducted with the issues of which the balance is the largest in the Allocable Balance Notice of the relevant delivering Clearing Participant as of the 3rd collateral allocation. <p>• JSCC will notify results, etc. of the collateral allocation to the Clearing Participants in the manner prescribed by JSCC.</p> <p>• The delivery of JGBs related to Subsequent Collateral Allocation Repos shall be made in the method of delivering/receiving the net quantity by issue with the same settlement cutoff</p>	<p>• The manner prescribed by JSCC shall be the method through Pre-Settlement Matching System of Japan Depository Center, Inc. and through JSCC's web terminal.</p> <p>• The settlement of Subsequent Collateral Allocation Repos shall be processed</p>

Item	Description	Remarks												
(2) Japanese government bond DVP Settlement	<p>time.</p> <ul style="list-style-type: none"> The settlement of funds related to Subsequent Collateral Allocation Repos shall be performed through payment/receipt of funds in the amount equal to the market value of JGBs (referring to the market value determined based on the Reference Statistical Price published by Japan Securities Dealers Association) and funds in the amount equal to the delivery adjustment amount (referring to the difference between the amount to be paid/received and the market value of Japanese government bonds). Delivery/receipt of JGBs and payment/receipt of the market value of such Japanese government bonds related to Subsequent Collateral Allocation Repos shall be processed through DVP Settlement in the Bank of Japan Financial Network System (hereinafter referred to as “JGB DVP Settlement”). Settlement Cutoff Time shall be as follows: <table border="1" data-bbox="548 730 1523 1249"> <thead> <tr> <th data-bbox="548 730 797 858"></th> <th data-bbox="797 730 1039 858">For 1st Collateral Allocation and Ending/Unwind</th> <th data-bbox="1039 730 1281 858">For 2nd Collateral Allocation</th> <th data-bbox="1281 730 1523 858">For 3rd Collateral Allocation</th> </tr> </thead> <tbody> <tr> <td data-bbox="548 858 797 1075">Settlement between Delivering Clearing Participant and JSCC</td> <td data-bbox="797 858 1039 1075">10:30 a.m.</td> <td data-bbox="1039 858 1281 1075">1:30 p.m.</td> <td data-bbox="1281 858 1523 1075">3:30 p.m.</td> </tr> <tr> <td data-bbox="548 1075 797 1249">Settlement between JSCC and Receiving Clearing Participant</td> <td data-bbox="797 1075 1039 1249">11:00 a.m.</td> <td data-bbox="1039 1075 1281 1249">2:00 p.m.</td> <td data-bbox="1281 1075 1523 1249">4:00 p.m.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The settlement instruction for JGB DVP Settlement to Bank of Japan will be given by JSCC for both of the settlement between the delivering Clearing Participant and JSCC and the 		For 1st Collateral Allocation and Ending/Unwind	For 2nd Collateral Allocation	For 3rd Collateral Allocation	Settlement between Delivering Clearing Participant and JSCC	10:30 a.m.	1:30 p.m.	3:30 p.m.	Settlement between JSCC and Receiving Clearing Participant	11:00 a.m.	2:00 p.m.	4:00 p.m.	<p>separately from the settlement for existing JGB OTC Transaction Clearing Business (i.e., outright transactions and Standard Repos (Repo Transactions other than Subsequent Collateral Allocation Repos)).</p> <ul style="list-style-type: none"> For the settlement under existing JGB OTC Transaction Clearing Business,
	For 1st Collateral Allocation and Ending/Unwind	For 2nd Collateral Allocation	For 3rd Collateral Allocation											
Settlement between Delivering Clearing Participant and JSCC	10:30 a.m.	1:30 p.m.	3:30 p.m.											
Settlement between JSCC and Receiving Clearing Participant	11:00 a.m.	2:00 p.m.	4:00 p.m.											

Item	Description	Remarks
(3) Treatment of Fail	<p>settlement between JSCC and the receiving Clearing Participant.</p> <ul style="list-style-type: none"> • For JGB DVP Settlement, the position shall be split into small unit so that the JGB quantity in each settlement does not exceed 5 billion yen. • In the JGB DVP Settlement related to Subsequent Collateral Allocation Repos, if the settlement between the delivering Clearing Participant and JSCC has not been completed by the settlement cutoff time, such settlement and the corresponding settlement between JSCC and the receiving Clearing Participant shall be treated as fail, and the settlement shall be deferred to the following day or later. 	<p>the settlement instruction for the settlement between the delivering Clearing Participant and JSCC is to be given by the delivering Clearing Participant.</p> <ul style="list-style-type: none"> • Same as current JGB OTC Transaction Clearing Business. • Settlement Cutoff time for the settlement deferred to the following day or later related to fail is the same as Settlement Cutoff Time for 1st Collateral Allocation and Ending/Unwind. • Measures for reducing occurrence of fail in the settlement of Subsequent Collateral Allocation Repos are subject to ongoing review.
(4) FOS Settlement	<ul style="list-style-type: none"> • Payment/receipt of funds of the delivery adjustment amount shall be made through current account transfer at Bank of Japan. • The paying Clearing Participant shall pay funds to JSCC by 3:30 p.m., and the receiving Clearing Participant shall receive funds from JSCC after 4:00 p.m. 	
7. Margin		

Item	Description	Remarks
(1) Variation Margin	<ul style="list-style-type: none"> • JSCC shall pay to/receive from Clearing Participants Variation Margin corresponding to the fluctuation of the value of unsettled obligations related to Subsequent Collateral Allocation Repos. 	<ul style="list-style-type: none"> • See Annex 6 for detailed calculation method of Required Variation Margin Amount. • The settlement of Variation Margin related to Subsequent Collateral Allocation Repos is included in the FOS settlement under existing JGB OTC Transaction Clearing Business on the day immediately following the Valuation Margin calculation day.
(2) Initial Margin	<ul style="list-style-type: none"> • To cover losses which may arise from settlement default in the Subsequent Collateral Allocation Repos, the calculation method of the Required Initial Margin Amount will be revised. 	<ul style="list-style-type: none"> • Specific method of calculation of Required Initial Margin Amount will be discussed separately.
8. Fees	<ul style="list-style-type: none"> • Fee structure will be revised so that operational costs required for handling Subsequent Collateral Allocation Repos in JGB OTC Transaction Clearing Business will be appropriately borne by the Clearing Participants. 	<ul style="list-style-type: none"> • Detailed fee structure revision will be discussed separately.
9. Implementation Timing	<ul style="list-style-type: none"> • To be determined in light of the system accommodation and test schedules and the like at JSCC, Clearing Participants and related organizations. 	

End of Document

Baskets for Subsequent Collateral Allocation Repos (Illustration)

- For Subsequent Collateral Allocation Repos, JSCC will establish baskets specifying the scope of Issues subject to Allocation.
- Specific contents of baskets will be determined through consultation with market participants and other parties concerned. However, JSCC currently envisages something like those shown in below charts.

< Basic Basket (Example) >

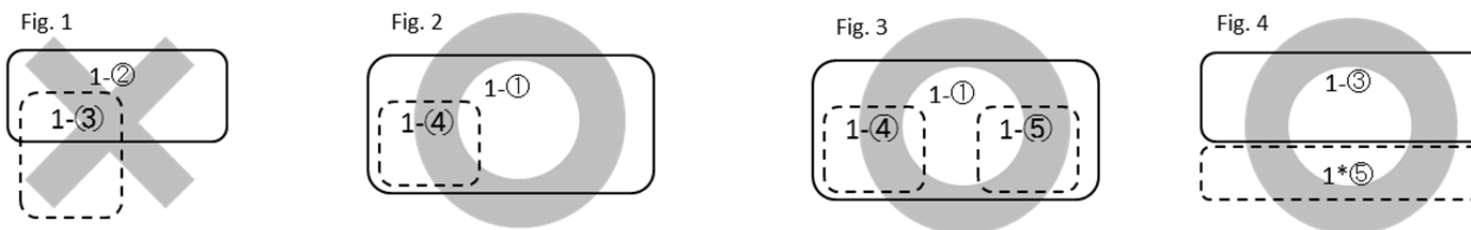
	Name (Issue)	Issue Code (ISIN)	Issue Code (Bond Issue Code)	Scope of Covered JGBs (Component Issues)
1-①	JGB Basket A	JPXXX101XXXX	0101XXXX	<ul style="list-style-type: none"> • Coupon-bearing Bonds (including Floating-rate Bonds, but excluding Inflation-indexed Bonds and JGBs for Retail Investors) • Discount Bonds (excluding Treasury Discount Bills, Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs and JGBs for Retail investors) • Treasury Discount Bills
2-①	JGB Basket S	JPXXX201XXXX	0201XXXX	<ul style="list-style-type: none"> • Principal-only Book-entry Transfer JGBs • Coupon-only Book-entry Transfer JGBs

< Other Expected Basket (Example) >

	Name (Issue)	Issue Code (ISIN)	Issue Code (Bond Issue Code)	Scope of Covered JGBs (Component Issues)
1-②	JGB Basket A (U10)	JPXXX102XXXX	0102XXXX	<ul style="list-style-type: none"> • Coupon-bearing Bonds (including Floating-rate Bonds, but excluding Inflation-indexed Bonds and JGBs for Retail Investors) and Discount Bonds (excluding Treasury Discount Bills, Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs and JGBs for Retail Investors) with

				remaining maturity of less than 10 years • Treasury Discount Bills
1-③	JGB Basket A (eF)	JPXXX103XXXX	0103XXXX	• Coupon-bearing Bonds (excluding Floating-rate Bonds, Inflation-indexed Bonds and JGBs for Retail Investors) • Discount Bonds (excluding Treasury Discount Bills, Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs and JGBs for Retail Investors) • Treasury Discount Bills
1-④	JGB Basket A (eF/U10)	JPXXX104XXXX	0104XXXX	• Coupon-bearing Bonds (excluding Floating-rate Bonds, Inflation-indexed Bonds and JGBs for Retail Investors) and Discount Bonds (excluding Treasury Discount Bills, Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs and JGBs for retail investors) with remaining maturity of less than 10 years • Treasury Discount Bills
1-⑤	JGB Basket F	JPXXX105XXXX	0105XXXX	• Floating-rate Bonds

* No basket, whose component issues partially overlap with another basket (Fig. 1 below), shall be established. A basket, all of whose component issues comprise a part of another basket (Figs. 2 and 3) or whose component issues do not overlap with any other basket at all, may be established (Figs. 4).



* Basket component will be subject to periodic review.

* Basket name and Issue Codes will be determined upon consultation with Securities Identification Code Committee going forward (codes shown in above chart are for illustration purpose only).

Treatment of Account in Subsequent Collateral Allocation Repos

1. Settlement Account

- An account for settlement in respect of each Netting Account shall be the same as the settlement account used for current JGB OTC Transaction Clearing Business.
 - The settlement account shall be one account per Netting Account (it is possible to designate separate accounts for receiving JGBs and delivering JGBs).
 - For the settlement accounts, besides Participant Account of the Clearing Participant itself, it is possible to designate Participant Account of other participants of JGB Book-entry Transfer System (when performing settlement through an agent).

2. Treatment of Allocable Balance Notice

- A Clearing Participant will prepare and submit to JSCC an Allocable Balance Notice specifying the allocable issues and their balance available for each Netting Account (or for each fund in respect of a Netting Account that is a Trust Account).
 - No need to submit Allocable Balance Notice, when the relevant Netting Account will not become a delivering party.
 - An Allocable Balance Notice may be submitted through an agent.

End of Document

1. Illustration of Netting Accounts of Clearing Participant Holding Multiple Netting Accounts

< Example: When Bank Clearing Participant Opens two Netting Accounts >

Master Information		Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Settlement Account at Bank of Japan	
●● Bank (Investment Account)	●● Bank Standard Settlement Account (00)	Allocable Balance Notice (for Investment Account)
●● Bank (Trading Account)	●● Bank Standard Settlement Account (00)	Allocable Balance Notice (for Trading Account)

< Points of Attention >

- ✓ A Clearing Participant may open multiple Netting Accounts.
- ✓ Allocable Balance Notice shall be submitted by each Netting Account.

2. Illustration of Netting Accounts of Trust Bank

< Example: When Trust Bank Clearing Participant Opens Multiple Netting Accounts (Proprietary and Trust Accounts (Multiple)) >

Master Information			Fund	Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Settlement Account at Bank of Japan			
	JGB Deliver	JGB Receive		
■■ Trust (Proprietary)	■■ Trust Standard Settlement Account (00)		—	Allocable Balance Notice (for Proprietary Account)
■■ Trust (Trust Account 1)	■■ Trust Trust Account 1 (01)	■■ Trust Trust Account 1 (01)	Fund ①	Allocable Balance Notice (for Fund ①)
			Fund ②	Allocable Balance Notice (for Fund ②)
■■ Trust (Trust Account 2)	■■ Trust Trust Account 1 (01)	■■ Trust Standard Settlement Account (00)	Fund ③	Allocable Balance Notice (for Fund ③)
			Fund ④	Allocable Balance Notice (for Fund ④)
■■ Trust (Trust Account 3)	■■ Trust Standard Settlement Account (00)	■■ Trust Standard Settlement Account (00)	Fund ⑤	Allocable Balance Notice (for Fund ⑤)

< Points of Attention >

- ✓ A Clearing Participant may open multiple Netting Accounts.
- ✓ For settlement account at Bank of Japan, it is possible to designated separate accounts for delivering JGBs and receiving JGBs.
- ✓ For settlement account at Bank of Japan, it is possible to designate trust accounts other than Trust Account 1 (01).
- ✓ For a Netting Account that is a Trust Account, Allocable Balance Notice shall be submitted by each fund.
- ✓ Basket netting, Collateral Allocation, Issue netting and JGB DVP Settlement in respect of a Netting Account that is a Trust Account are conducted by fund.

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3. Illustration of Netting Accounts for Clearing Participant Using Agent for Contract Reconciliation and Settlement

< Example: When Securities Firm Clearing Participant Performing Settlement through Agent >

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
○○ Securities * Outsourcer	○○ Securities * Outsourcer	Standard Settlement Account of Agent (00)	○○ Securities * Outsourcer	Allocable Balance Notice

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
△△ Securities * Outsourcer	△△ Securities * Outsourcer	Standard Settlement Account of Agent (00)	Agent	Allocable Balance Notice (for △△ Securities)

< Example: When Securities Firm Clearing Participant Uses Agent for Contract Reconciliation and Settlement >

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
□□ Securities * Outsourcer	Agent	Standard Settlement Account of Agent (00)	Agent	Allocable Balance Notice (for □□ Securities)

< Points of Attention >

- ✓ For settlement account at Bank of Japan, besides Participant Account of the Clearing Participant itself, it is possible to designate Participant Account of other participants of JGB Book-entry Transfer System.
- ✓ A Clearing Participant performing the settlement through an agent may submit Allocable Balance Notice through an agent.
- ✓ The agent shall prepare and submit its own Allocable Balance Notice and those for its outsourcer.

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4. Illustration of Netting Accounts of JGB OTC Transaction Agency Clearing Participant

< Example: When Securities Firm Clearing Participant Accepts Commission of Brokerage for Clearing from Multiple Customers >

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
●● Securities (Proprietary)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Proprietary Account)
●● Securities (Clearing Brokerage Account 01)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Clearing Brokerage Account 01)
●● Securities (Clearing Brokerage Account 02)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Clearing Brokerage Account 02)
●● Securities (Clearing Brokerage Account 03)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Clearing Brokerage Account 03)

< Points of Attention >

- ✓ JGB OTC Transaction Agency Clearing Participant may accept commission of Brokerage for Clearing from multiple customers.
- ✓ A Clearing Participant accepting commission of Brokerage for Clearing shall open a Netting Account for each customer.
- ✓ A Clearing Participant accepting commission of Brokerage for Clearing shall prepare and submit Allocable Balance Notice by each Netting Account.

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Handling of Allocable Balance Notice in Subsequent Collateral Allocation Repos

- Upon allocation of collateral, JSCC will utilize Allocable Balance Notice received from the Clearing Participant at the latest as of the time designated by JSCC (see below chart).
- A Clearing Participant may submit Allocable Balance Notice as many times as it desires.

Collateral Allocation	Time Designated by JSCC	Points of Attention
1st	9:00 p.m. on previous day	<ul style="list-style-type: none"> • When preparing Allocable Balance Notice, balance of issues to be used for Subsequent Collateral Allocation Repos of the allocation date out of JGBs to be received in respect of Subsequent Collateral Allocation Repos on the allocation date^{*1} will be included (it will be an estimated balance because Allocable Balance Notice is to be submitted a day before the allocation date).
2nd	11:00 a.m. on current day	<ul style="list-style-type: none"> • Upon receipt of previous allocation result, Clearing Participant will be required to reflect (reduce balance of) issues allocated (used) at previous collateral allocation, and, if any contract which requires change to estimated balance is executed after submission of previous Allocable Balance Notice, reflect such change as necessary, and re-submit Allocable Balance Notice. • From a viewpoint of prevention of Fail occurrence in Subsequent Collateral Allocation Repos associated with Fail of bonds scheduled to be received on the current day, Clearing Participants are required to take measures to avoid un-received balance being included in Allocable Balance Notice, such as reconciliation against actual balance at Bank of Japan (balance taking account of progress of actual settlement)^{*2*3}.
3rd	2:00 p.m. on current day	Same as above ^{*4}

*1 JGBs scheduled to be received from JSCC on the current day as a result of the collateral allocation on the previous day (JGBs allocated in relation to the basket position corresponding to Ending/Unwind Obligations).

- *2 Procedures that will not require reconciliation against actual balance at Bank of Japan can be envisaged, for example, excluding bonds scheduled to be received on the current day from Allocable Balance Notice or managing balance for Subsequent Collateral Allocation Repos and balance for other purposes separately, and then preparing Allocable Balance Notice.
- *3 As of 11:00 a.m., it is expected that settlements of transactions other than Subsequent Collateral Allocation Repos have proceeded to some extent. Moreover, as of 2:00 p.m., it is expected that settlements of transactions other than Subsequent Collateral Allocation Repos have mostly completed.
- *4 If a balance shortfall is expected to occur due to determination of Fail, reducing net position which requires allocation by executing offsetting transaction of the same basket can be a choice. Moreover, depending upon situation, measures of reducing Fail possibility by inclusion of issues with high probability of receipt or high probability of obtaining externally among un-received issues for the day into the 3rd Allocable Balance Notice can be a choice.

End of Document

Allocable Issues and Allocable Quantities in Collateral Allocation

- Based on information contained in Allocable Balance Notice submitted by a Clearing Participant and other information, JSCC will decide Collateral subject to Allocation and calculate allocable balance to be used for Collateral Allocation by each Netting Account which will be a JGB deliverer.
- Determination of Issues subject to Allocation and calculation of allocable quantities are made in the following manner:

Collateral Allocation	Issue subject to Allocation used for Collateral Allocation	Allocable Quantity	Points of Attention
1st	<ul style="list-style-type: none"> • Issues that are contained in Allocable Balance Notice and to be received on the allocation date in relation to Subsequent Collateral Allocation Repos ^{*1} 	<ul style="list-style-type: none"> • By Issue subject to Allocation to be used for Collateral Allocation, lesser of: <ul style="list-style-type: none"> ① Balance stated in Allocable Balance Notice; and ② Quantity of JGBs scheduled to be received on the allocation date in relation to Subsequent Collateral Allocation Repos 	<ul style="list-style-type: none"> • When preparing Allocable Balance Notice, Clearing Participant delivering JGBs needs to include balance to be used for Subsequent Collateral Allocation Repos on the allocation date among issues of JGBs to be received on the allocation date in relation to Subsequent Collateral Allocation Repos.
2nd and 3rd	<ul style="list-style-type: none"> • Issues contained in Allocable Balance Notice 	<ul style="list-style-type: none"> • Balance stated in Allocable Balance Notice 	

* JGBs scheduled to be received from JSCC on the current day as a result of the collateral allocation on the previous day (JGBs allocated in relation to the basket position corresponding to Ending/Unwind Obligations).

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Collateral Allocation Rules for Subsequent Collateral Allocation Repos

Item	Description	Remarks
1. Matching Process for Collateral Allocation	<ul style="list-style-type: none"> • As to basket position corresponding to Starting/Rewind Obligations, a delivering Clearing Participant and a receiving Clearing Participant will be matched so that the settlement amount of the Clearing Participant delivering JGBs to JSCC and that of the Clearing Participant receiving JGBs from JSCC will match. • In 1st Collateral Allocation, the same deliverer-receiver pair as the pair set at previous day's Collateral Allocation will be matched preferentially. In this process, if settlement amount for Starting/Rewind Obligations are different between delivering Clearing Participant and receiving Clearing Participant, position of the party with larger settlement amount will be split so that a pair with the same settlement amount is set. This matching method is referred to as "Preferential Matching." • For setting pairs with respect to quantity remaining after setting Preferential Matching in 1st Collateral Allocation and setting pairs in 2nd and 3rd Collateral Allocation, an order is set in a random manner in respect of delivering Clearing Participants and receiving Clearing Participants in respect of the issue, and delivering Clearing Participants and receiving Clearing Participants are matched in the order so set. If the settlement amount does not match, then the larger amount will be split so that a pair with the same settlement amount is set. This method is referred to as "Random Matching." 	<ul style="list-style-type: none"> • See Appendix 1 for example of matching delivering Clearing Participant and receiving Clearing Participant
2. Method of Determination of Allocation Quantity by Issue	<ul style="list-style-type: none"> • For each pair set in 1. above, allocation quantities are determined in such manner that market value of the allocated JGBs will be equal to or more than, and closest to, the settlement amount related to Starting/Rewind Obligations. • Specifically, collateral to be allocated are determined according to the order among 	<ul style="list-style-type: none"> • Market value of the allocated JGBs will be obtained by reference to Reference Statistical Price (in actual operation, JSCC will apply the "unit price with

Item	Description	Remarks
<p>3. Collateral Allocation Order in 1st Collateral Allocation</p> <p>(1) Order Among Issues</p> <p>a. Collateral Allocation through Preferential Matching</p> <p>b. Collateral Allocation through Random Matching</p>	<p>issues and the order among positions subject to allocation set forth in 3. below, and the quantity with which the market value of the allocated JGB becomes equal to or more than the settlement amount for Starting/Rewind Obligations related to each position subject to allocation will be the allocation quantity.</p> <ul style="list-style-type: none"> • The collateral and quantity scheduled to be received as allocated JGBs in relation to the basket position corresponding to Ending/Unwind Obligations at the previous day's Collateral Allocation shall be allocated within the scope of issue and quantity stated in Allocable Balance Notice. • Issues and quantities of JGBs scheduled to be received on the current day remaining after allocation in a. above shall be allocated within the scope of remaining quantity. • As to portion of the position subject to allocation equal to or more than 5 billion yen, issues will be allocated by face value of 5 billion yen in the order from the issue with the largest balance on Allocable Balance Notice; provided that, if remaining quantity is less than 5 billion yen for all issues, remaining quantity of each issue shall be allocated from the issue with the largest balance on Allocable Balance Notice. • As to portion of the position subject to allocation less than 5 billion yen, the portion less than face value of 5 billion yen of each issue shall be allocated in order from the issue with the largest balance on Allocable Balance Notice; provided that, if there is no portion less than 5 billion yen in remaining quantity of all issues, the portion of face value equal to or more than 5 billion yen will be used for allocation in order from the issue with the largest balance on Allocable Balance Notice. 	<p>accrued interest" obtained by adding accrued interest up to the allocation date).</p> <ul style="list-style-type: none"> • See Appendix 2

Item	Description	Remarks
<p>(2) Order among Positions</p> <p>a. Order among Netting Accounts</p> <p>b. Order among Baskets</p> <p>c. Order among Positions</p>	<ul style="list-style-type: none"> • When a Clearing Participant holds multiple Netting Accounts, the order among Netting Accounts shall be the order of Netting Account Number from the smallest one (younger account number will have priority). • For multiple baskets containing the same covered JGBs, Collateral Allocation for a basket with lesser covered JGBs will be made first, and then Collateral Allocation for a basket with more covered JGBs will be made. • For positions with the same priority in a. and b. above, allocation shall be made in the order of the settlement amount (if position of JGB delivering party is split in the matching process for Collateral Allocation, the settlement amount after allocation shall apply) from the largest settlement amount (position with larger settlement amount shall have priority). 	<ul style="list-style-type: none"> • See Appendix 3
<p>4. Collateral Allocation Order in 2nd and 3rd Collateral Allocation</p>		
<p>(1) Order among Issues</p>	<ul style="list-style-type: none"> • Same as 3. (1) b. 	<ul style="list-style-type: none"> • It shall be the same for all basket positions subject to 2nd and 3rd Collateral Allocation.
<p>(2) Order among Positions subject to Allocation</p>	<ul style="list-style-type: none"> • Same as the order in 1st Collateral Allocation. 	

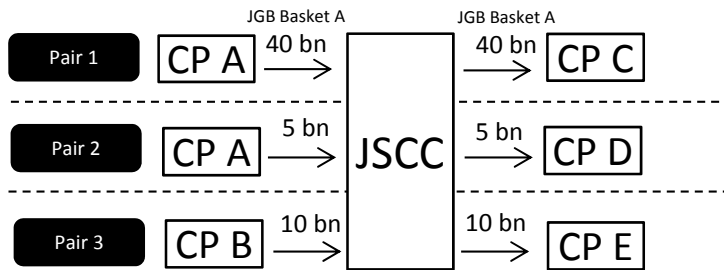
Item	Description	Remarks
5. Issues Excluded from Collateral Allocation	<ul style="list-style-type: none"> • Issues with respect to which the coupon payment date or redemption date falls on the next business day following the date of Collateral Allocation shall be excluded from Issues subject to Allocation. 	<ul style="list-style-type: none"> • Upon receipt of Allocable Balance Notice, error notice shall be returned to exclude the relevant issue.

End of Document

Illustration of Deliverer-Receiver Matching Process for Collateral Allocation

1. Illustration of Preferential Matching Process (1st collateral Allocation)

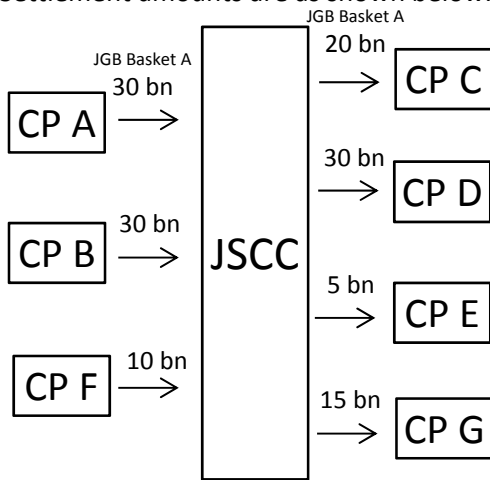
【Pairs for Previous Day's Collateral Allocation】



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① Current Day's Basket Netting Results

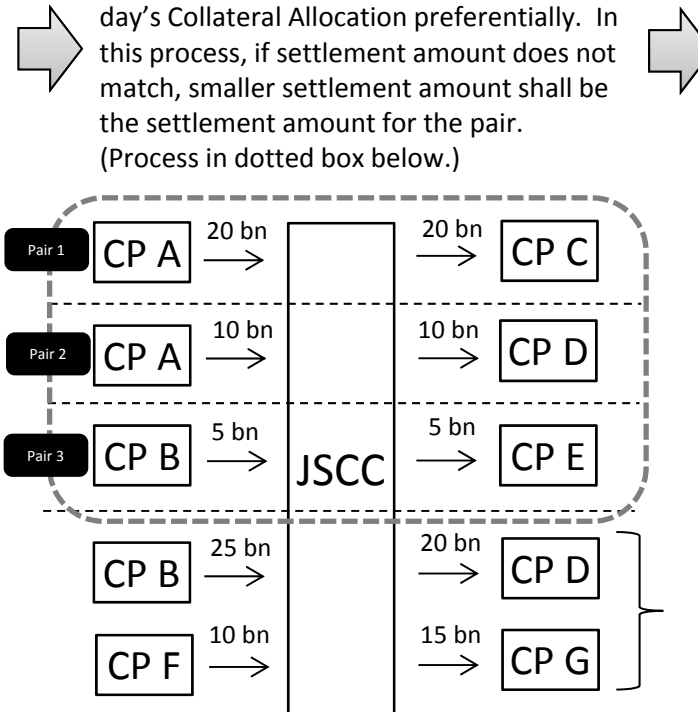
Assuming, as a result of Basket Netting, Clearing Participants A, B, F will be deliverers and Clearing Participants C, D, E, G will be receivers of JGB (JGB Basket A) in respect of Starting/Rewind Obligations. (Settlement amounts are as shown below.)



* CP A thru G: Clearing Participants
* Funds flow not shown

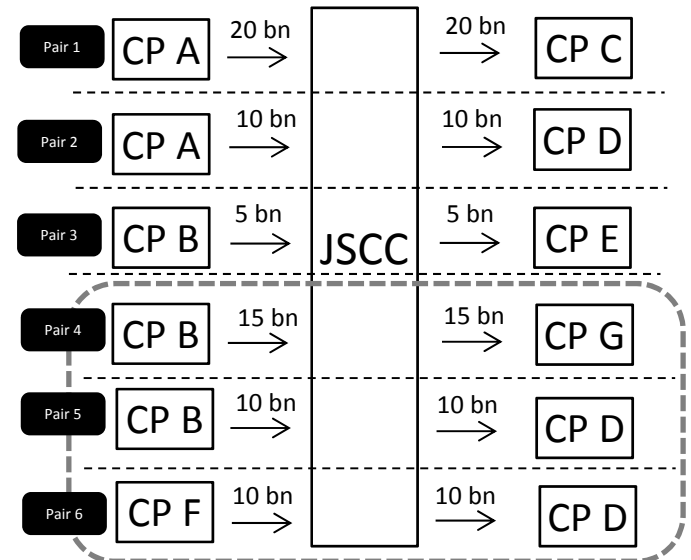
② Preferentially Match Previous Day's Pairs

Match same pairs as those set for previous day's Collateral Allocation preferentially. In this process, if settlement amount does not match, smaller settlement amount shall be the settlement amount for the pair. (Process in dotted box below.)



③ Randomly Matching Remaining Portion

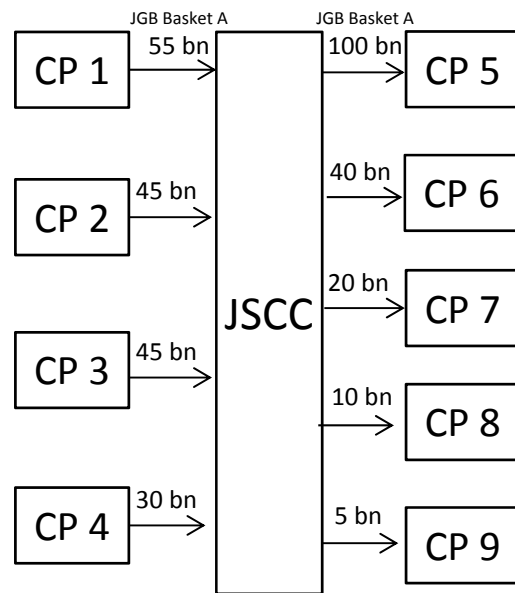
As to positions for which pairs are not determined through process in ②, Randomly determine pairs based on "2. Random Matching Process (see next page)." (Process in dotted box below)



2. Illustration of Random Matching Process

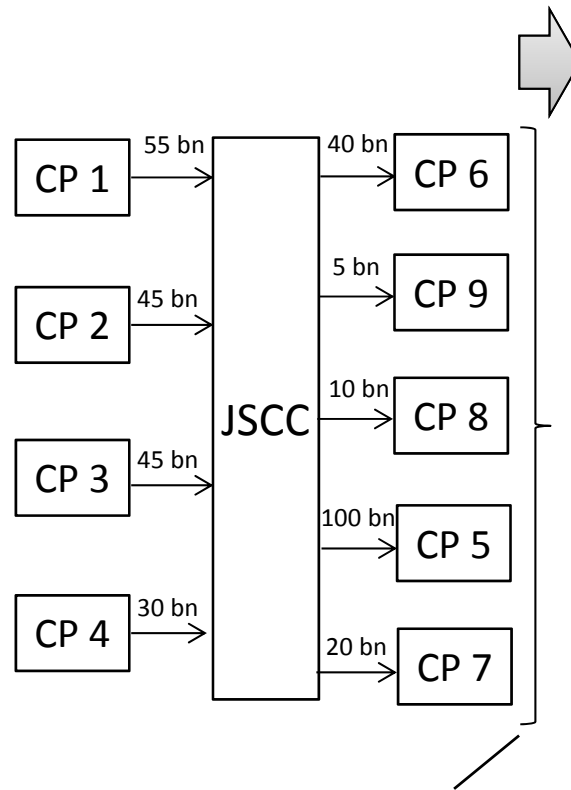
① Basket Netting Results

Assuming, as a result of Basket Netting, Clearing Participants 1 thru 4 will be deliverers and Clearing Participants 5 thru 9 will be receivers of JGB (JGB Basket A) in respect of Starting/Rewind Obligations. (Settlement amounts are as shown below.)



② Randomly Decide Order of Receiving Clearing Participant

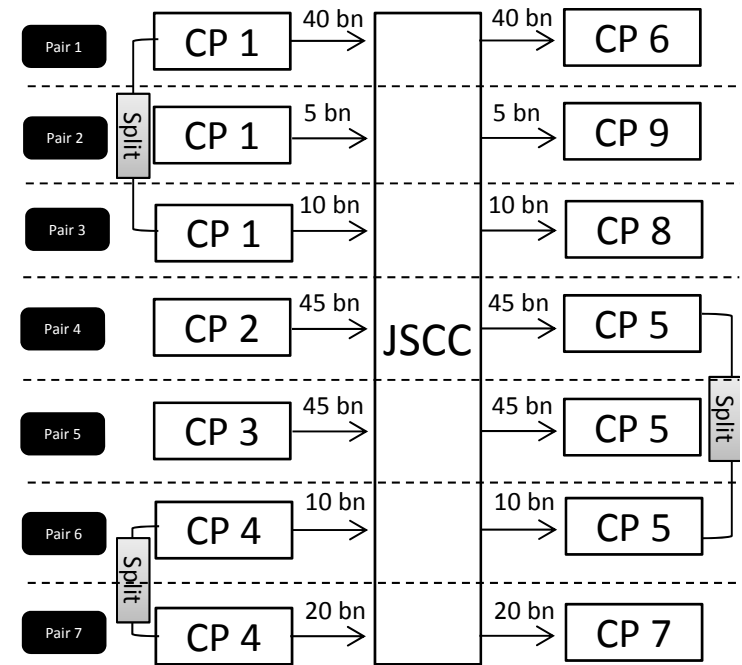
List deliverer and receiver in a random order.



List in random order

③ Decide Pairs for Collateral Allocation

Match up deliverers and receivers so that settlement amount matches. In this process position may be split as necessary. In following example, Pairs 1 thru 7 are decided.



* CP 1 thru 9: Clearing Participants
* Funds flow is not shown

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Illustration of Order among Issues in Collateral Allocation

< Contents of Clearing Participant A's Allocable Balance Notice >

(in 100 million yen)

	Issue ①	Issue ②	Issue ③	Issue ④	Issue ⑤	Issue ⑥	Issue ⑦	Issue ⑧	Total
Quantity	1,030	340	300	210	150	30	10	10	2,080

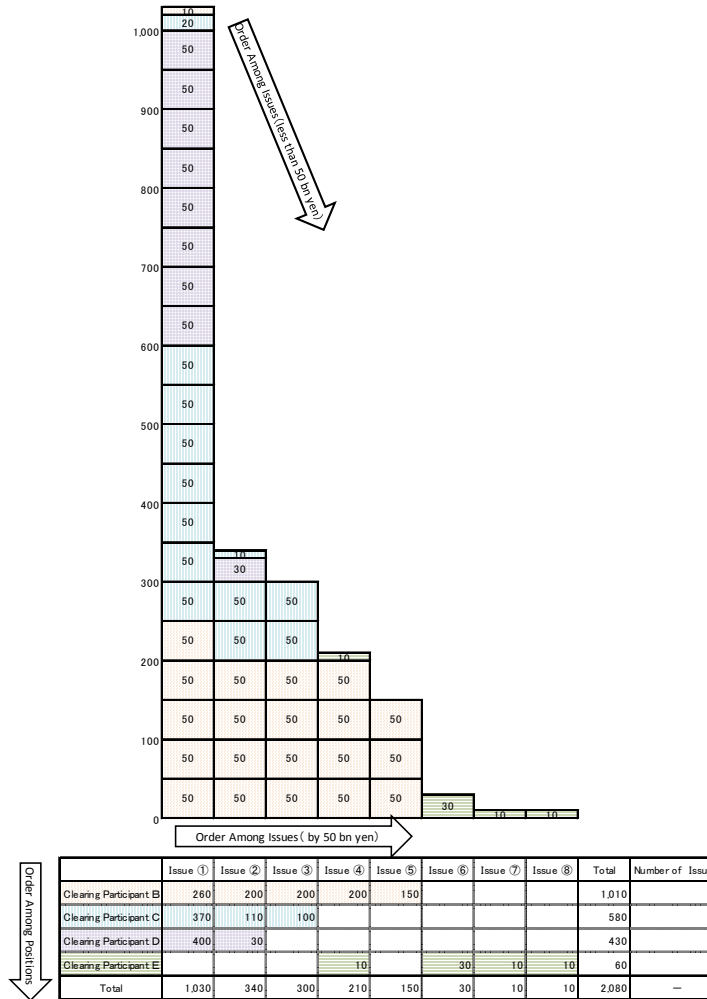
< Trade Details >

(in 100 million yen)

Deliverer	Receiver	Contract Value
Clearing Participant A	Clearing Participant B	1,010
Clearing Participant A	Clearing Participant C	580
Clearing Participant A	Clearing Participant D	430
Clearing Participant A	Clearing Participant E	60
Total		2,080




< Order among Issues >



* Assuming unit price of Issues ① thru ⑦ is 100yen

Illustration of Order among Positions subject to Allocation in Collateral Allocation

- Assuming Bank A Clearing Participant is a JGB deliverer in Collateral Allocation.

Netting Account	Basket	Settlement Amount (in 100 million yen)		Order among Position subject to Allocation in Collateral Allocation		Allocated Issue	
			After Split in Matching Process for Collateral Allocation				
Bank A ① (Account #: 111111110012)	JGB Basket A (eF)	500	200		High	①	Allocate according to order among Issues
			150			②	
			100			③	
			50			④	
	JGB Basket A	150	100			⑤	
			50			⑥	
Bank A ② (Account #: 111111110020)	JGB Basket A (eF)	200	200		⑦	Allocate according to order among Issues	
	JGB Basket A	150	100		⑧		
			50		⑨		

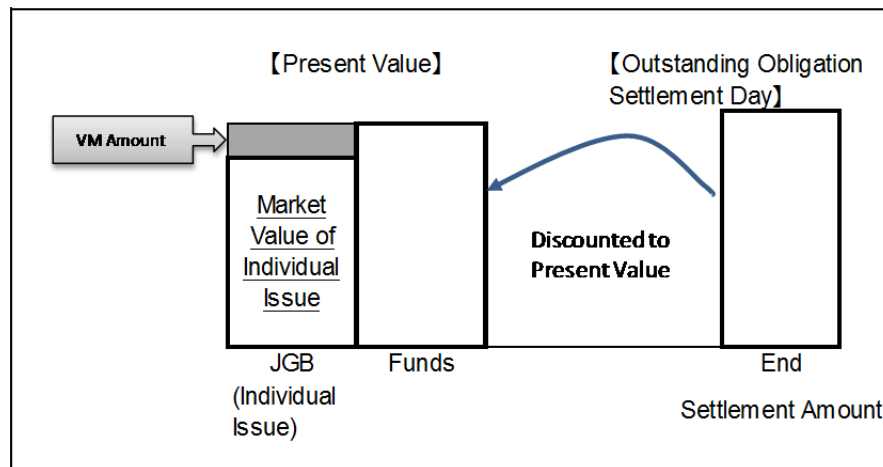
* Issues in "JGB Basket A (eF) form a part of "JGB Basket A."

Variation Margin Calculation Method related to Subsequent Collateral Allocation Repos

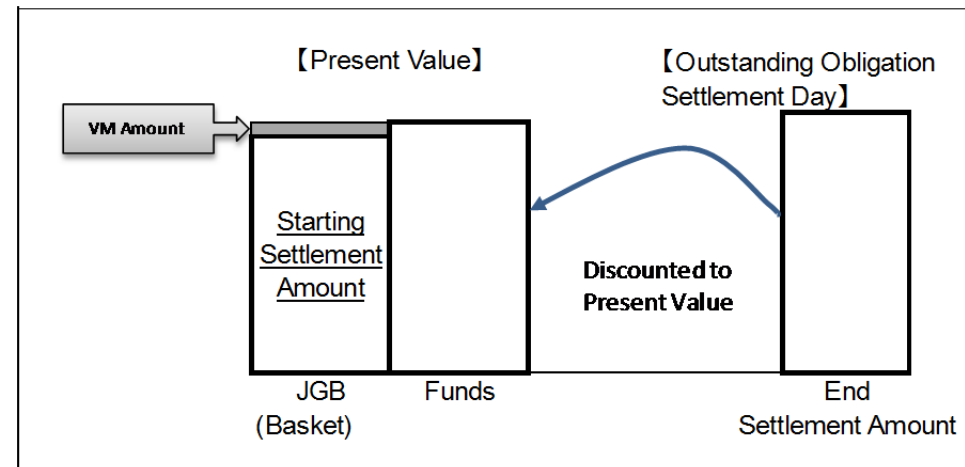
- With respect to the outstanding obligations as of and after the second business day following the calculation day, the difference between the market value of the obligations related to JGBs and the present value, as of standard delivery date for the calculation day, of obligations related to funds will be paid/received on each day (same as existing outright and standard repos).
- However, in Subsequent Collateral Allocation Repos, present value of JGB outstanding obligations will be the present value of the basket rather than that of individual issue. The issues and quantities equivalent to the settlement amount for Starting Transaction will be allocated to the basket based on the market value on the relevant day. Therefore, the present value will be the settlement amount for the Starting Transaction corresponding to the JGB outstanding obligations.
- Consequently, the amount of Variation Margin related to Subsequent Collateral Allocation Repos will be the difference between the present value of settlement amount for Ending Transactions and the settlement amount of Starting Transactions (equal to present value of repo interest) after netting.

【Reference Illustration】

○ Standard Repos



○ Subsequent Collateral Allocation Repos



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Outline of Subsequent Collateral Allocation Repos

- While issues and settlement amounts are fixed at the time of execution under Standard Repos, Subsequent Collateral Allocation Repos is a transaction methodology wherein the funds settlement amount and basket (a group of multiple issues) are fixed at the time of execution and, then, the individual issues are allocated by a third party organization from the inventory of JGB deliverer just before the settlement of Starting Transaction.

- Major Difference between Standard Repos and Subsequent Collateral Allocation Repos

	Standard Repos	Subsequent Collateral Allocation Repos
Collateral upon Execution	Individual Issue	Basket (individual issues to be determined later)
Settlement Amount Determination Method	Calculated from quantity and market value of contracted individual issue	To be agreed between parties at the time of execution
Party to Allocate Collateral	Trading Party who becomes JGB deliverer	Third Party Organization (JSCC)
Party to Send Settlement Instruction to Bank of Japan	Trading Party who becomes JGB deliverer	Third Party Organization (JSCC)

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Illustration of Clearing / Basket Netting related to Unwind and Rewind

Unit: 100 mil yen
Funds + : Finance (Receive), - : Investment (Pay)

Date	Collateral Allocation	Trade Report Data Newly Received	Clearing to Collateral Allocation																																																																																		
1-Jun	1st	<table border="1"> <thead> <tr> <th>Basket</th> <th>Start Settle Day</th> <th>Starting Settle Amount</th> <th>Ending Settle Day</th> <th>Ending Settle Amount</th> </tr> </thead> <tbody> <tr> <td>Trade ①</td> <td>JGB Basket A</td> <td>1-Jun</td> <td>+100</td> <td>3-Jun</td> <td>-100.9</td> </tr> <tr> <td>Trade ②</td> <td>JGB Basket A</td> <td>1-Jun</td> <td>-20</td> <td>4-Jun</td> <td>+20.2</td> </tr> </tbody> </table> <p>* Assuming that Ending settlement for trades started before June 1 has been completed before June 1.</p>	Basket	Start Settle Day	Starting Settle Amount	Ending Settle Day	Ending Settle Amount	Trade ①	JGB Basket A	1-Jun	+100	3-Jun	-100.9	Trade ②	JGB Basket A	1-Jun	-20	4-Jun	+20.2	<table border="1"> <thead> <tr> <th rowspan="2">Settlement Day</th> <th colspan="2">1-Jun</th> <th colspan="2">2-Jun</th> <th colspan="2">3-Jun</th> <th colspan="2">4-Jun</th> </tr> <tr> <th>End/Unwind</th> <th>Start/Rewind</th> <th>End/Unwind</th> <th>Start/Rewind</th> <th>End/Unwind</th> <th>Start/Rewind</th> <th>End/Unwind</th> <th>Start/Rewind</th> </tr> <tr> <td></td> <td>JGB</td> <td>Funds</td> <td>JGB</td> <td>Funds</td> <td>JGB</td> <td>Funds</td> <td>JGB</td> <td>Funds</td> </tr> </thead> <tbody> <tr> <td>Trade ①</td> <td></td> <td></td> <td>Deliver +100</td> <td>Receive -100</td> <td>Deliver +100</td> <td>Receive -100.9</td> <td></td> <td></td> </tr> <tr> <td>Trade ②</td> <td></td> <td></td> <td>Receive -20</td> <td>Deliver +20</td> <td>Receive -20</td> <td>Deliver +20</td> <td>Receive -20</td> <td>Deliver +20.2</td> </tr> <tr> <td>Netting Result (JGB Basket A)</td> <td></td> <td></td> <td>Deliver +80</td> <td>Receive -80</td> <td>Deliver +80</td> <td>Receive -80.9</td> <td>Receive -20</td> <td>Deliver +20.2</td> </tr> </tbody> </table> <p>Clearing thru Submission / Unwind/Rewind Clearing Basket Netting Collateral Allocation</p> <p>① Allocate collateral equivalent to 8 bil yen ② Allocate same issue and quantity as those allocated in ①. In case of allocable balance shortfall in ①, defer allocation of shortfall in ① and corresponding basket position in ② to 2nd Collateral Allocation (in this example, assuming 500 mil yen shortfall)</p>	Settlement Day	1-Jun		2-Jun		3-Jun		4-Jun		End/Unwind	Start/Rewind	End/Unwind	Start/Rewind	End/Unwind	Start/Rewind	End/Unwind	Start/Rewind		JGB	Funds	JGB	Funds	JGB	Funds	JGB	Funds	Trade ①			Deliver +100	Receive -100	Deliver +100	Receive -100.9			Trade ②			Receive -20	Deliver +20	Receive -20	Deliver +20	Receive -20	Deliver +20.2	Netting Result (JGB Basket A)			Deliver +80	Receive -80	Deliver +80	Receive -80.9	Receive -20	Deliver +20.2												
		Basket	Start Settle Day	Starting Settle Amount	Ending Settle Day	Ending Settle Amount																																																																															
		Trade ①	JGB Basket A	1-Jun	+100	3-Jun	-100.9																																																																														
Trade ②	JGB Basket A	1-Jun	-20	4-Jun	+20.2																																																																																
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* Third Collateral Allocation for June 2 is not shown.

Illustration of Collateral Allocation and Issue Netting

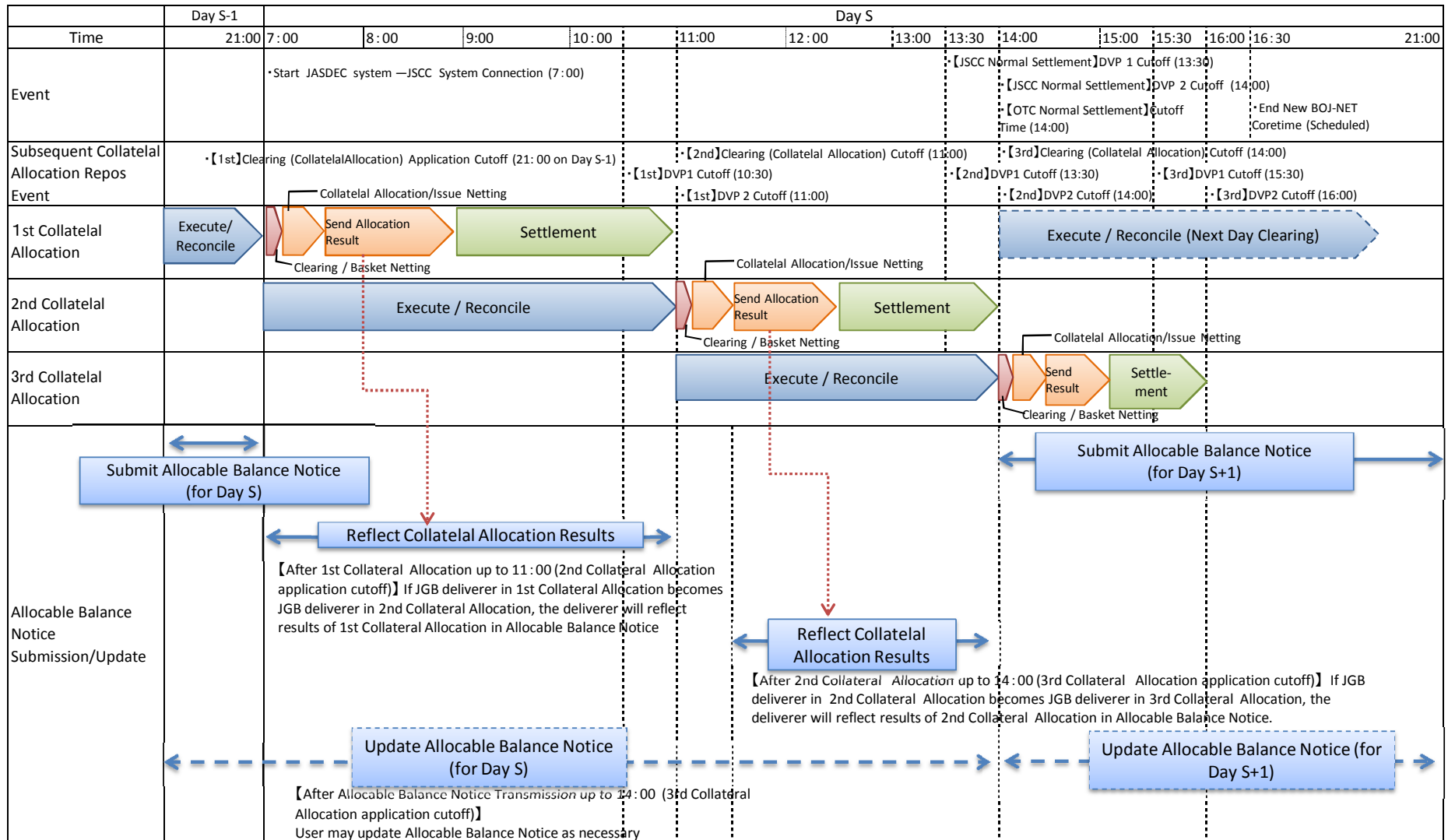
Unit: 100 mil yen
Funds + : Finance (Receive), - : Investment (Pay)

Date	Collateral Allocation	Collateral Allocation related to Starting/Rewind Obligations and Ending/Unwind Obligations to collateral Netting																																																																																																																																																																						
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On the other hand, issues scheduled to be used for other trades should not be put on the list.</p>	Issue	Quantity (Par)	Series AA	50	Series BB	80	Series CC	50	Series DD	30	Series EE	130	Series GG	50	?	?	<p>JGBs to be received in relation to JGB Basket A</p> <table border="1"> <thead> <tr> <th>Issue</th> <th>Quantity (Par)</th> </tr> </thead> <tbody> <tr><td>Series AA</td><td>50</td></tr> <tr><td>Series BB</td><td>74</td></tr> <tr><td>Series CC</td><td>50</td></tr> <tr><td>Series DD</td><td>30</td></tr> <tr><td>Series EE</td><td>15</td></tr> <tr><td>Series FF</td><td>19</td></tr> </tbody> </table> <p>JGBs to be received in relation to baskets other than JGB Basket A</p> <table border="1"> <thead> <tr> <th>Issue</th> <th>Quantity (Par)</th> </tr> </thead> <tbody> <tr><td>Series EE</td><td>100</td></tr> <tr><td>Series GG</td><td>48</td></tr> </tbody> </table>	Issue	Quantity (Par)	Series AA	50	Series BB	74	Series CC	50	Series DD	30	Series EE	15	Series FF	19	Issue	Quantity (Par)	Series EE	100	Series GG	48	<p>Issue Netting</p> <p>⑦ Determine Allocated JGBs for Starting/Rewind Obligations according to Collateral Allocation rules by using latest Allocable Balance Notice as of application cutoff time for 1st Collateral Allocation and issues and quantities to be received on the same day as Allocated JGBs for Ending/Unwind Obligations</p>	<table border="1"> <thead> <tr> <th colspan="2"><Allocated JGB></th> <th colspan="2"><Allocated JGB></th> </tr> <tr> <th>Issue</th> <th>Quantity (Par)</th> <th>Issue</th> <th>Quantity (Par)</th> </tr> </thead> <tbody> <tr><td>Series AA</td><td>50</td><td>Series AA</td><td>50</td></tr> <tr><td>Series BB</td><td>74</td><td>Series BB</td><td>74</td></tr> <tr><td>Series CC</td><td>50</td><td>Series CC</td><td>50</td></tr> <tr><td>Series DD</td><td>30</td><td>Series DD</td><td>30</td></tr> <tr><td>Series EE</td><td>115</td><td>Series EE</td><td>115</td></tr> <tr><td>Series GG</td><td>47</td><td>Series GG</td><td>47</td></tr> </tbody> </table> <p>⑧ Issues and quantities allocated in ⑦ will be Allocated JGB for Ending/Unwind for June 3.</p>	<Allocated JGB>		<Allocated JGB>		Issue	Quantity (Par)	Issue	Quantity (Par)	Series AA	50	Series AA	50	Series BB	74	Series BB	74	Series CC	50	Series CC	50	Series DD	30	Series DD	30	Series EE	115	Series EE	115	Series GG	47	Series GG	47	<p><June 2 Ending/Unwind (Receive)></p> <table border="1"> <thead> <tr> <th>Issue</th> <th>Quantity (Par)</th> </tr> </thead> <tbody> <tr><td>Series AA</td><td>50</td></tr> <tr><td>Series BB</td><td>74</td></tr> <tr><td>Series CC</td><td>50</td></tr> <tr><td>Series DD</td><td>30</td></tr> <tr><td>Series EE</td><td>15</td></tr> <tr><td>Series FF</td><td>19</td></tr> </tbody> </table> <p><June 3 Starting/Rewind (Deliver)></p> <table border="1"> <thead> <tr> <th>Issue</th> <th>Quantity (Par)</th> </tr> </thead> <tbody> <tr><td>Series AA</td><td>50</td></tr> <tr><td>Series BB</td><td>74</td></tr> <tr><td>Series CC</td><td>50</td></tr> <tr><td>Series DD</td><td>30</td></tr> <tr><td>Series EE</td><td>115</td></tr> <tr><td>Series GG</td><td>47</td></tr> </tbody> </table>	Issue	Quantity (Par)	Series AA	50	Series BB	74	Series CC	50	Series DD	30	Series EE	15	Series FF	19	Issue	Quantity (Par)	Series AA	50	Series BB	74	Series CC	50	Series DD	30	Series EE	115	Series GG	47	<p>Netting</p> <p>Partial Netting</p>	<p>Issue Netting Results</p> <table border="1"> <thead> <tr> <th>Issue</th> <th>Quantity (Par)</th> <th>Settlement</th> </tr> </thead> <tbody> <tr><td>Series FF</td><td>19</td><td>Receive</td></tr> <tr><td>Series GG</td><td>1</td><td>Receive</td></tr> </tbody> </table> <p>* Funds movement is not shown.</p>	Issue	Quantity (Par)	Settlement	Series FF	19	Receive	Series GG	1	Receive
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【Time Schedule】



* Hours shown above are tentative, and subject to change.

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