

Revision of Treatment of DVP Settlement Price and Market Value of Securities in lieu of Cash related to Stocks
to which Tick Size less than Whole Yen Amount Applies

June 25, 2014

Japan Securities Clearing Corporation

Item	Outlines	Remarks
I. Purpose	<ul style="list-style-type: none"> • As tick size less than 1 yen will start to apply to some of the listed issues at Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. effective as of July 22, 2014, JSCC will revise its rules to calculate DVP Settlement Price and the market value of the securities in lieu of cash using the price obtained by truncating the fraction less than 1 yen as from the above date, in light of the status of system accommodation at related organizations, etc. However, as stated in the Remarks column of the Outlines dated September 25, 2013¹, JSCC will make necessary revisions to use the value with fraction less than 1 yen for DVP Settlement Price and the market value of the securities in lieu of cash aiming at the implementation by the end of 2015. 	
II. Outline of Revisions 1. DVP Settlement Price	<ul style="list-style-type: none"> • DVP Settlement Price shall be the closing price (including the final quote) on the previous business day in the Designated Financial Instruments Market. (<u>No truncation of the fraction less than 1 yen.</u>) • If no contract price (including final quote) exists in any of the Designated Financial Instruments Market on the previous business day, DVP Settlement Price shall be the standard price on such previous day in the Designated Financial Instruments Market. (<u>No truncation of the fraction less than 1 yen.</u>) 	<ul style="list-style-type: none"> • The same treatment shall apply to the required Clearing Fund for Securities Clearing Qualification and the delay compensation and delay penalty upon occurrence of a Delivery Failure, which are calculated by using DVP Settlement Price.

¹ “Revisions associated with Phased Optimization of Tick Size in Auction Trading of Cash Equities at Tokyo Stock Exchange, Inc.” dated September 25, 2013.

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2. Base Price for Selling Offer Price at Buy-In Execution	<ul style="list-style-type: none"> The base price for the selling offer price at the time of Buy-in execution shall be the closing price (including the final quote) on the Buy-in execution date in the Designated Financial Instruments Market, in principle. (<u>No truncation of the fraction less than 1 yen.</u>) 	<ul style="list-style-type: none"> When no closing price exists on the Buy-in execution date, or when the Buy-in execution date falls on the day that is two or one business day preceding the record date, etc. for the issue subject to Buy-in, the price shall be determined by JSCC at each occasion.
3. Market Value of Securities in lieu of Cash Deposited as Margin and Clearing Deposit	<ul style="list-style-type: none"> The market value (Marked-to-Market Value) of stock, etc. deposited with JSCC as securities in lieu of cash for Margin and Clearing Deposit shall be the closing price (or final quote, if applicable) at the Financial Instruments Exchange. (<u>No truncation of the fraction less than 1 yen.</u>) 	<ul style="list-style-type: none"> As to the Marked-to-Market Price to be obtained by applying multiplier designated by JSCC to the market value, the fraction less than 1 yen shall be truncated in the same manner as in the existing rules.
III. Implementation Timing	<ul style="list-style-type: none"> These revisions will be implemented around October 13, 2014. 	<ul style="list-style-type: none"> Aimed at the same timing as launch of new BOJ-NET at Bank of Japan.

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