

Outline of JGB OTC Transactions Clearing Business  
associated with Merger with Japan Government Bond Clearing Corporation

August 1, 2013  
Japan Securities Clearing Corporation

Item	Summary	Remarks
I. Purpose	<ul style="list-style-type: none"> <li>• As JSCC will succeed to the clearing business related to Japanese government bond over-the-counter transactions currently handled by Japan Government Bond Clearing Corporation (hereinafter referred to as “JGBCC”) in association with the merger with JGBCC (scheduled on October 1, 2013), JSCC will establish the JGB OTC transactions clearing system and partially amend the existing clearing system.</li> </ul>	
II. Outline		
1. Transactions Subject to Clearing	<ul style="list-style-type: none"> <li>• Transactions subject to clearing shall be as listed below (limited to those separately prescribed by JSCC, hereinafter referred to as “JGB OTC Transactions”) :                             <ul style="list-style-type: none"> <li>• Buying and selling of Japanese government bonds (excluding Repo Transactions (as defined below));</li> <li>• Payment/receipt of money for the purpose of lending Japanese government bonds and providing collateral therefor (hereinafter referred to as the “Cash-secured Bond Lending Transactions”);</li> <li>• Buying and selling of Japanese government bonds with a repurchase or resale agreement (hereinafter referred to as the “Repo Transactions”); and</li> <li>• Delivery/receipt of Japanese government bonds or payment/receipt of money executed to perform obligations under the transactions listed above.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC.</li> </ul>
2. Clearing Participant		

Item	Summary	Remarks
System		
(1) Clearing Qualification	<ul style="list-style-type: none"> <li>• Clearing Qualification related to JGB OTC Transactions shall be established (JGB OTC Transactions Clearing Qualification) and any person who has acquired such Clearing Qualification shall be the Clearing Participant related to JGB OTC Transactions (JGB OTC Transactions Clearing Participant).</li> <li>• JGB OTC Transactions Clearing Participants shall be classified into two types: i.e., Clearing Participant with Principal Clearing Qualification (JGB OTC Transactions Principal Clearing Participant) and Clearing Participant with Agency Clearing Qualification (JGB OTC Transactions Agency Clearing Participant).</li> </ul>	<ul style="list-style-type: none"> <li>• It will be a separate Clearing Qualification from existing Clearing Qualifications (i.e., Securities, JGB Futures, Index Futures, CDS, IRS and FX).</li> </ul>
(2) Obtaining Clearing Qualification	<ul style="list-style-type: none"> <li>• Any person who intends to obtain JGB OTC Transactions Clearing Qualification shall apply for obtaining JGB OTC Transactions Clearing Qualification to, and obtain approval of, JSCC.</li> <li>• Criteria for obtaining Clearing Qualification are as follows: &lt;Criteria for obtaining Clearing Qualification&gt; <ul style="list-style-type: none"> <li>(1) An applicant must be a Financial Instruments Business Operator, a bank, a Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd., an insurance company, a Securities Finance Company or a Call Loan Dealer; provided, however, that if any person other than a Financial Instruments Business Operator intends to obtain Agency Clearing Qualification, it must be a Registered Financial Institution.</li> <li>(2) An applicant must satisfy a predetermined criteria for financial conditions.</li> <li>(3) An applicant must have an appropriate management and business execution structure as a JGB OTC Transactions Clearing Participant.</li> </ul> </li> <li>• Existing JGBCC Principal Clearing Participants shall become JGB OTC Transactions Principal Clearing Participants, and existing JGBCC Agency Clearing Participant shall</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC.</li> <li>• Subscription to the CCP's capital will not be required as criteria for obtaining Clearing Qualification.</li> <li>• See Annex 1 for detailed financial criteria.</li> </ul>

Item	Summary	Remarks
	<p>become JGB OTC Transactions Agency Clearing Participants, respectively.</p> <ul style="list-style-type: none"> <li>• Clearing Qualification acquisition fee (JPY1 million) shall become payable when obtaining JGB OTC Transactions Clearing Qualification.</li> </ul>	<ul style="list-style-type: none"> <li>• Under current JGBCC rules, no qualification acquisition fee is charged. However, such fee will be established similarly as in the existing JSCC Clearing Qualification acquisition procedures.</li> <li>• Rules on the Clearing Qualification acquisition fee shall not apply for the period of one year after such rules become effective.</li> </ul>
(3) Obligations of Clearing Participant	<ul style="list-style-type: none"> <li>• JGB OTC Transactions Clearing Participant shall enter into the Clearing Participant Agreement with JSCC.</li> <li>• In order to secure performance of its obligations against JSCC, JGB OTC Transactions Clearing Participant shall deposit Initial Margin in the amount at least equal to the amount prescribed by JSCC.</li> <li>• JGB OTC Transactions Clearing Participant shall pay JSCC the fees prescribed by JSCC.</li> <li>• JGB OTC Transactions Clearing Participant shall appoint the Clearing Participant's representative and the person in charge of settlement operation.</li> <li>• JGB OTC Transactions Clearing Participant shall give notification or report on the prescribed matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC, except for the term "Initial Margin" (it has been referred to as "Clearing Fund" under the current JGBCC Rules).</li> </ul>

Item	Summary	Remarks
(4) Renunciation of Clearing Qualification	<ul style="list-style-type: none"> <li>When a JGB OTC Transactions Clearing Participant intends to renounce its JGB OTC Transactions Clearing Qualification, it shall apply for renunciation of its clearing qualification to, and obtain an approval of, JSCC in advance.</li> </ul>	<ul style="list-style-type: none"> <li>Same as current treatment at JGBCC.</li> </ul>
3. Suspension of Assumption of Obligations / Revocation of Clearing Qualification, etc.	<ul style="list-style-type: none"> <li>When a JGB OTC Transactions Clearing Participant is in violation of the Business Rules, etc. of JSCC, is considered to have financial difficulties or falls on any other applicable event, JSCC may suspend assumption of obligations, in whole or in part, with respect to the transactions to which such JGB OTC Transactions Clearing Participant is a party, or take such measures as revocation of Clearing Qualification.</li> <li>If JSCC deems it necessary for its business operations, it may ask a JGB OTC Transactions Clearing Participant for submission of materials, conduct inspection on a JGB OTC Transactions Clearing Participant, or take other measures.</li> </ul>	<ul style="list-style-type: none"> <li>Same as current treatment at JGBCC.</li> </ul>
4. Assumption of Obligations	<ul style="list-style-type: none"> <li>A JGB OTC Transactions Clearing Participant shall, when it intends to have JSCC assume obligations under the Transactions Subject to Clearing to which it is a party, apply for assumption of obligations to JSCC for each Transaction Subject to Clearing in accordance with the method prescribed by JSCC.</li> <li>With respect to transactions, assumption of obligations of which has been applied for, JSCC will assume obligations thereof in accordance with the rules prescribed by JSCC.</li> </ul>	<ul style="list-style-type: none"> <li>Same as current treatment at JGBCC.</li> </ul>
5. Clearing and Settlement Operations	<ul style="list-style-type: none"> <li>With respect to obligations JSCC and a JGB OTC Transactions Clearing Participant owe, JSCC shall, for each of the relevant JGB OTC Transactions Clearing Participants, calculate, at each time obligations are assumed, the balance of the amount/quantity of such obligations by netting the amount/quantity of the obligations whose issue and</li> </ul>	<ul style="list-style-type: none"> <li>Same as current treatment at JGBCC.</li> <li>In the practical operations of payment/receipt of money and</li> </ul>

Item	Summary	Remarks
	<p>settlement day, etc. are the same.</p> <ul style="list-style-type: none"> <li>• A Money Settlement Obligation between a JGB OTC Transactions Clearing Participant and JSCC shall be performed by paying/receiving money for the market value of the Security Settlement Obligation as determined by JSCC pursuant to its rules and money for the delivery adjustment amount (difference between Money Settlement Obligation and the market value of the Security Settlement Obligation).</li> <li>• Delivery/receipt of Japanese government bonds in the quantity of the Security Settlement Obligation and payment/receipt of money for the market value of the Security Settlement Obligation shall be carried out between a JGB OTC Transactions Clearing Participant and JSCC through the DVP Settlement in the Bank of Japan Financial Network System pursuant to the rules prescribed by JSCC.</li> </ul>	<p>delivery/receipt of securities related to clearing and settlement, existing JGBCC system infrastructure will continue to be used for the time being and current JGBCC procedures shall apply.</p> <ul style="list-style-type: none"> <li>• Payment/receipt of money and delivery/receipt of securities shall not be combined with payment/receipt of money or delivery/receipt of securities related to other Clearing Qualifications (the same shall apply hereinafter).</li> </ul>
6. Variation Margin	<ul style="list-style-type: none"> <li>• JGB OTC Transactions Clearing Participant shall pay/receive with JSCC, as Variation Margin, the difference between (i) the sum of the amount of money to be received and the market value of the Japanese government bonds in the quantity to be received in relation to the Transactions Subject to Clearing for which JSCC assumed obligations and (ii) the sum of the amount of money to be paid and the market value of the Japanese government bonds in the quantity to be delivered in relation to such transaction, in accordance with the rules prescribed by JSCC.</li> </ul>	<ul style="list-style-type: none"> <li>• The term “Margin Call” used in the current JGBCC Rules shall be changed to “Variation Margin.” However, the items displayed on the system will not be changed for the time being, and it shall be construed as if such change has been made.</li> <li>• Other than the above, treatment</li> </ul>

Item	Summary	Remarks
		shall be the same as current treatment at JGBCC.
7. FOS Settlement	<ul style="list-style-type: none"> <li>• Payment/receipt of money related to Delivery Adjustment Amount, Amount related to Amount Equal to Interest Settlement Obligation, Fail Charges and Variation Margins shall be executed by paying/receiving the difference between the total amount to be paid and the total amount to be received by the same JGB OTC Transactions Clearing Participant (FOS Settlement).</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC.</li> </ul>
8. Initial Margin	<ul style="list-style-type: none"> <li>• A JGB OTC Transactions Clearing Participant shall deposit Initial Margin with JSCC for securing the performance of its obligations against JSCC in accordance with the rules prescribed by JSCC.</li> <li>• Initial Margin may be deposited in a form of Japanese government bond, in lieu of depositing in cash, in accordance with the rules prescribed by JSCC.</li> </ul>	<ul style="list-style-type: none"> <li>• The term “Clearing Fund” used in the current JGBCC Rules will be changed to “Initial Margin.” However, the items displayed on the system will not be changed for the time being, and it shall be construed as if such change has been made.</li> <li>• Other than the above, treatment shall be the same as current treatment at JGBCC.</li> </ul>
9. Measures in case of Settlement Default		<ul style="list-style-type: none"> <li>• Possible revisions to the rules related to procurement of funds at the time of settlement default and compensation of losses arising from default are</li> </ul>

Item	Summary	Remarks
		currently under review at JGBCC taking into consideration the international standards, etc. JSCC expects to make necessary revisions to the system after the merger with JGBCC based on the results of such review.
(1) Procuring Funds at the Time of Settlement Default	<ul style="list-style-type: none"> <li>• In such case as a JGB OTC Transactions Clearing Participant fails to perform all or part of the Money Settlement Obligation, the Security Settlement Obligation and the Amount Equal to Interest Settlement Obligation, JSCC shall perform its obligations to JGB OTC Transactions Clearing Participants with the money acquired by the methods as stipulated in each of the following Items or other methods.               <ol style="list-style-type: none"> <li>(1) Initial Margin deposited in a form of cash;</li> <li>(2) Borrowing of funds from a JGB OTC Transactions Clearing Participant or other person;</li> <li>(3) Cash-secured Bond Lending Transactions to which a JGB OTC Transactions Clearing Participant or any other person is a counterparty; and</li> <li>(4) Cash-secured Bond Lending Transactions to which a JGB OTC Transactions Clearing Participant or any other person who entered into a contract in advance in which the relevant JGB OTC Transactions Clearing Participant or other person agreed to become, at JSCC's request, the counterparty to such Cash-secured Bond Lending Transactions is the counterparty.</li> </ol> </li> <li>• When JSCC deems that procuring all or part of the money needed is difficult even if it</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC.</li> </ul>

Item	Summary	Remarks
	<p>uses the methods as stipulated above, it may procure money in the amount JSCC deems necessary proportionately from the JGB OTC Transactions Clearing Participants, that are the counterparties to the Transactions Subject to Clearing of the JGB OTC Transactions Clearing Participant which is the party to the obligation causing the procurement of funds, through Cash-secured Bond Lending Transactions.</p>	
<p>(2) Performance of Obligations by Closeout Netting, etc.</p>	<ul style="list-style-type: none"> <li>• When there arises any petition or notification of commencement of bankruptcy proceedings, or other similar proceedings prescribed by JSCC (Cause of Closeout Netting) with respect to a JGB OTC Transactions Clearing Participant, then the amount obtained by netting the Appraised Default Values at the time when the Cause of Closeout Netting occurs of all of the outstanding Monetary Payment/Return Obligations and all of the outstanding Japanese government bonds Transfer/Return Obligations between the relevant JGB OTC Transactions Clearing Participant and JSCC shall become a single obligation of JSCC to the relevant JGB OTC Transactions Clearing Participant or a single obligation of the relevant JGB OTC Transactions Clearing Participant to JSCC.</li> <li>• When a JGB OTC Transactions Clearing Participant falls under any of the events prescribed by JSCC, such as petition or notification of commencement of bankruptcy proceedings, etc., all obligations of such JGB OTC Transactions Clearing Participant owed to JSCC related to JGB OTC Transactions Clearing Business shall automatically become due, and such JGB OTC Transactions Clearing Participant shall immediately satisfy such obligations.</li> <li>• When the JGB OTC Transactions Clearing Participant's payment obligation related to JGB OTC Transactions Clearing Business and its other obligations to JSCC under the JGB OTC Transactions Clearing Business become due, JSCC may set off such</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC, except for handling of excess collateral.</li> </ul>



Item	Summary	Remarks
	<p>obligations against JSCC's obligations to such JGB OTC Transactions Clearing Participant related to JGB OTC Transactions Clearing Business regardless of the due date of such obligations.</p> <ul style="list-style-type: none"> <li>In the course of closeout netting, etc. described above, any excess collateral received from the relevant JGB OTC Transactions Clearing Participant with respect to other Clearing Business (excess collateral means collateral remaining after application to satisfaction of obligations of the relevant Participant in accordance with the provisions of the business rules related to other Clearing Business) may be applied to the satisfaction of the unsettled obligations.</li> </ul>	<ul style="list-style-type: none"> <li>JSCC may apply excess collateral received from defaulting Clearing Participant related to JGB OTC Transactions Clearing Business to such Participant's other obligations owing to JSCC in accordance with the provisions of business rules related to other Clearing Business.</li> </ul>
(3) Compensation of Losses arising from Default	<ul style="list-style-type: none"> <li>In the event that JSCC suffers a loss arising from a JGB OTC Transactions Clearing Participant's outstanding obligations remaining after the performance of obligations through Closeout Netting, etc. as described above, the JGB OTC Transactions Clearing Participants which are the counterparties to the Transactions Subject to Clearing of such JGB OTC Transactions Clearing Participant (Defaulting Participant) shall pay to JSCC default compensation charge in the amount allocated in accordance with the relevant rules of JSCC by the time and the date specified by JSCC on each applicable occasion. In such case JSCC shall compensate its loss caused by such Defaulting Participant (Net Default Loss) with such default compensation charge.</li> <li>In the event that Net Default Loss still remains uncompensated even after the application of the default compensation charge, if the amount of uncompensated loss exceeds the amount prescribed by JSCC (Contribution by JSCC), JGB OTC Transactions Clearing</li> </ul>	<ul style="list-style-type: none"> <li>Same as current treatment at JGBCC.</li> </ul>

Item	Summary	Remarks
	<p>Participants other than Defaulting Participant shall pay extra default compensation charge determined by prorating such uncompensated loss in the manner prescribed by JSCC by the time and the date prescribed by JSCC at each applicable occasion, and thereby JSCC shall compensate such uncompensated loss (limited to the portion of the uncompensated loss exceeding the Contribution by JSCC).</p> <ul style="list-style-type: none"> <li>• When JSCC was able to collect from the Defaulting Participant the claims related to the loss so compensated, it shall return the allocated amount of collected amount to each JGB OTC Transactions Clearing Participant which assumed and performed obligations to pay extra default compensation charge or default compensation charge.</li> </ul>	
10. Governance	<ul style="list-style-type: none"> <li>• With regard to the JGB OTC Transactions Clearing Business, JSCC will issue Class D shares in an attempt to separate the capital, and profit and loss, from the clearing business related to exchange/PTS traded products, clearing business related to CDS trades and clearing business related to IRS trades as well as to cut off risks.</li> <li>• Class D shareholders will be able to nominate one person for the JSCC's board member so that the opinions raised from Class D shareholders will be reflected into the business management.</li> <li>• Furthermore, in order to reflect the opinions raised from JGB OTC Transactions Clearing Participants and Class D shareholders into the administration framework and the practical operations of the JGB OTC Transactions Clearing Business, JGB OTC Transactions Management Committee will be established, which will serve as the advisory committee for JSCC's Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>• Matters which require the resolution at the Class D shareholders' meeting are as provided in Annex 2.</li> <li>• See Annex 3 for the JGB OTC Transactions Management Committee.</li> </ul>

Item	Summary	Remarks
11. Fees	<ul style="list-style-type: none"> <li>• A JGB OTC Transactions Clearing Participant shall pay an account management fee, an obligation assumption fee, a balance management fee, a settlement day management fee, a DVP settlement fee, a collateral management fee, a web terminal usage fee and a certificate issuance fee to JSCC pursuant to the rules prescribed by JSCC.</li> <li>• The total amount of each fee shall be capped at JPY5 million per month with respect to a Principal Clearing Participant and JPY5 million plus obligation assumption fee related to brokerage for clearing of securities, etc. per month for Agency Clearing Participant.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as current treatment at JGBCC.</li> <li>• Detailed fee rates are as per Annex 4.</li> </ul>
III. Transition	<ul style="list-style-type: none"> <li>• Necessary transition measures shall be taken.</li> </ul>	<ul style="list-style-type: none"> <li>• As a result of the merger, all the claims and obligations between JGBCC and JGBCC's Clearing Participants will be succeeded to as the claims and obligations between JSCC and such Clearing Participant.</li> </ul>
IV. Implementation Timing (Plan)	<ul style="list-style-type: none"> <li>• This system will become effective as of October 1, 2013.</li> </ul>	

End of Document

## Financial Criteria for Acquisition and Maintenance of JGB OTC Transactions Clearing Qualification

## (1)-1 Acquisition Criteria

## 【Financial Instruments Business Operator, Securities Finance Company or Call Loan Dealer】

	Principal Clearing Qualification	Agency Clearing Qualification
Stated Capital	Not less than JPY300mil	Not less than JPY300mil
Net Worth ( <i>Jun Zaisan</i> )(*1)	Not less than JPY5bil	Not less than JPY20bil
Capital-to-Risk Ratio (*2)	Not less than 200%	Not less than 200%
Consolidated Capital-to-Risk Ratio (*3)	Not less than 200%	Not less than 200%

\*1: It shall be net assets (*jun shisan*) in the case of Securities Finance Company or Call Loan Dealer.

\*2: For Securities Finance Company or Call Loan Dealer, it shall satisfy the conditions equivalent thereto.

\*3: Apply to Special Financial Instruments Business Operators.

## 【Bank, Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd., or Insurance Company】

	Principal Clearing Qualification	Agency Clearing Qualification
Stated Capital or Total Amount of Capital Contribution (*1)	Not less than JPY300mil	Not less than JPY300mil
Net Assets	Not less than JPY5bil	Not less than JPY20bil
Non-consolidated or Consolidated Capital Adequacy Ratio(*2)	Uniform International Standard (i) (*3) : Common Equity Tier 1 ratio (*4): not less than 4.5% (*5), Tier 1 ratio: not less than 6% (*6), Total capital adequacy ratio: not less than 8% Uniform International Standard (ii) (*7): Not less than 8% Domestic Standards (*8) : Not less than 4%	Uniform International Standard (i) (*3) : Common Equity Tier 1 ratio (*4): not less than 4.5% (*5), Tier 1 ratio: not less than 6% (*6), Total capital adequacy ratio: not less than 8% Uniform International Standard (ii) (*7): Not less than 8% Domestic Standards (*8) : Not less than 4%
Non-consolidated or Consolidated Solvency Margin (*9)	Not less than 400%	Not less than 400%

\*1: It shall be total amount of foundation fund (*kikin*) (including the amount of reserve for redemption of the foundation fund) for mutual company.

\*2 : Apply to banks, etc. (banks, Cooperative Structured Institution, The Shoko Chukin Bank, Ltd.).

\*3 : Apply to banks subject to Uniform International Standard, Norinchukin Bank and The Shoko Chukin Bank, Ltd. For foreign bank, it shall satisfy the conditions equivalent thereto.

\*4 : Ordinary Investment Securities Tier 1 ratio for Norinchukin Bank.

\*5 : Transitional arrangement, i.e. 3.5% from March 31, 2013 to March 30, 2014 and 4% from March 31, 2014 to March 30, 2015, will apply.

\*6 : Transitional arrangement, i.e. 4.5% from March 31, 2013 to March 30, 2014 and 5.5% from March 31, 2014 to March 30, 2015, will apply.

\*7 : Apply to banks, etc. having overseas business office other than banks subject to Uniform International Standard, Norinchukin Bank and The Shoko Chukin Bank, Ltd.

\*8 : Apply to banks, etc. not having overseas business office.

\*9 : Apply to insurance companies.

## (1)-2 Acquisition Criteria (Parent Guarantee)

## 【Financial Instruments Business Operator, Securities Finance Company or Call Loan Dealer】

	Applicant for Qualification Acquisition	Parent Company
Stated Capital	Not less than JPY300mil	Not less than JPY300mil
Net Worth ( <i>Jun Zaisan</i> ) (*1)	Not less than JPY1bil	Not less than JPY20bil
Capital-to-Risk Ratio (*2)	Not less than 140%	Not less than 200%
Consolidated Capital-to-Risk Ratio (*3)	Not less than 140%	Not less than 200%

\*1: It shall be net assets (*jun shisan*) in the case of Securities Finance Company or Call Loan Dealer.

\*2: For Securities Finance Company or Call Loan Dealer, it shall satisfy the conditions equivalent thereto.

\*3: Apply to Special Financial Instruments Business Operators.

## 【Bank, Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd., or Insurance Company】

	Applicant for Qualification Acquisition	Parent Company
Stated Capital or Total Amount of Capital Contribution (*1)	Not less than JPY300mil	Not less than JPY300mil
Net Assets	Not less than JPY1bil	Not less than JPY20bil
Non-consolidated or Consolidated Capital Adequacy Ratio(*2)	Uniform International Standard (i) (*3) : Common Equity Tier 1 ratio (*4): not less than 4.5% (*5), Tier 1 ratio: not less than 6% (*6), Total capital adequacy ratio: not less than 8%  Uniform International Standard (ii) (*7): Not less than 8%  Domestic Standards (*8) : Not less than 4%	Uniform International Standard (i) (*3) : Common Equity Tier 1 ratio (*4): not less than 4.5% (*5), Tier 1 ratio: not less than 6% (*6), Total capital adequacy ratio: not less than 8%  Uniform International Standard (ii) (*7): Not less than 8%  Domestic Standards (*8) : Not less than 4%
Non-consolidated or Consolidated Solvency Margin (*9)	Not less than 400%	Not less than 400%

\*1: It shall be total amount of foundation fund (*kikin*) (including the amount of reserve for redemption of the foundation fund) for mutual company.

\*2 : Apply to banks, etc. (banks, Cooperative Structured Institution, The Shoko Chukin Bank, Ltd.).

\*3 : Apply to banks subject to Uniform International Standard, Norinchukin Bank and The Shoko Chukin Bank, Ltd. For foreign bank, it shall satisfy the conditions equivalent thereto.

\*4 : Ordinary Investment Securities Tier 1 ratio for Norinchukin Bank.

\*5 : Transitional arrangement, i.e. 3.5% from March 31, 2013 to March 30, 2014 and 4% from March 31, 2014 to March 30, 2015, will apply.

\*6 : Transitional arrangement, i.e. 4.5% from March 31, 2013 to March 30, 2014 and 5.5% from March 31, 2014 to March 30, 2015, will apply.

\*7 : Apply to banks, etc. having overseas business office other than banks subject to Uniform International Standard, Norinchukin Bank and The Shoko Chukin Bank, Ltd.

\*8 : Apply to banks, etc. not having overseas business office.

\*9 : Apply to insurance companies.

(2) Maintenance Criteria

【Financial Instruments Business Operator, Securities Finance Company or Call Loan Dealer】

	Principal Clearing Qualification	Agency Clearing Qualification
Stated Capital	Not less than JPY300mil	Not less than JPY300mil
Net Worth ( <i>Jun Zaisan</i> )(*1)	Not less than JPY1bil	Not less than JPY20bil
Capital-to-Risk Ratio (*2)	Not less than 140%	Not less than 200%
Consolidated Capital-to-Risk Ratio (*3)	Not less than 140%	Not less than 200%

\*1: It shall be net assets (*jun shisan*) in the case of Securities Finance Company or Call Loan Dealer.

\*2: For Securities Finance Company or Call Loan Dealer, it shall satisfy the conditions equivalent thereto.

\*3: Apply to Special Financial Instruments Business Operators.

【Bank, Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd., or Insurance Company】

	Principal Clearing Qualification	Agency Clearing Qualification
Stated Capital or Total Amount of Capital Contribution (*1)	Not less than JPY300mil	Not less than JPY300mil
Net Assets	Not less than JPY1bil	Not less than JPY20bil
Non-consolidated or Consolidated Capital Adequacy Ratio(*2)	Uniform International Standard (i) (*3) : Common Equity Tier 1 ratio (*4): not less than 4.5% (*5), Tier 1 ratio: not less than 6% (*6), Total capital adequacy ratio: not less than 8% Uniform International Standard (ii) (*7): Not less than 8% Domestic Standards (*8) : Not less than 4%	Uniform International Standard (i) (*3) : Common Equity Tier 1 ratio (*4): not less than 4.5% (*5), Tier 1 ratio: not less than 6% (*6), Total capital adequacy ratio: not less than 8% Uniform International Standard (ii) (*7): Not less than 8% Domestic Standards (*8) : Not less than 4%
Non-consolidated or Consolidated Solvency Margin (*9)	Not less than 200%	Not less than 400%

\*1: It shall be total amount of foundation fund (*kikin*) (including the amount of reserve for redemption of the foundation fund) for mutual company.

\*2 : Apply to banks, etc. (banks, Cooperative Structured Institution, The Shoko Chukin Bank, Ltd.).

\*3 : Apply to banks subject to Uniform International Standard, Norinchukin Bank and The Shoko Chukin Bank, Ltd. For foreign bank, it shall satisfy the conditions equivalent thereto.

\*4 : Ordinary Investment Securities Tier 1 ratio for Norinchukin Bank.

\*5 : Transitional arrangement, i.e. 3.5% from March 31, 2013 to March 30, 2014 and 4% from March 31, 2014 to March 30, 2015, will apply.

\*6 : Transitional arrangement, i.e. 4.5% from March 31, 2013 to March 30, 2014 and 5.5% from March 31, 2014 to March 30, 2015, will apply.

\*7 : Apply to banks, etc. having overseas business office other than banks subject to Uniform International Standard, Norinchukin Bank and The Shoko Chukin Bank, Ltd.

\*8 : Apply to banks, etc. not having overseas business office.

\*9 : Apply to insurance companies.

(Note) In the case of a JGB OTC Transactions Clearing Participant obtained Clearing Qualification based on a parent guarantee, the parent company shall satisfy above maintenance criteria.

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## Primary items to be resolved at Class D Shareholders Meeting

The following matters need resolutions at the Class D Shareholders Meeting as well as resolutions at the General Shareholders Meeting: \*1

- Dividends from surplus for Class D shares,
- Appointment of Directors from Class D shareholders,
- *Changes in the features of Class D shares (Change to the Articles of Incorporation),*
- *Reduction of Amounts of Reserves for Class D shares,*
- *Merger, demerger or share transfer in which Class D shares are issued as the consideration,*
- *New Issue of Class D shares,*
- *New Issue of subscription warrants for Class D shares,*
- *JSCC's acquisition of Class D shares,*
- *Consolidation or Splitting of Class D shares,*
- *Change in number of Directors for Class D shares (Change to the Articles of Incorporation),*
- *Change in requirements for Resolution of Board of Directors where the Board of Directors makes a resolution that differs from the opinion of the JGB OTC Transactions Management Committee after the reconsideration process (Change to the Articles of Incorporation).* \*2

\*1 Appointment of Directors from Class D shareholders does not need resolution at the general shareholders meeting.

\*2 Resolutions of the Board of Directors, when it differs from the opinion of the JGB OTC Transactions Management Committee after the reconsideration process, shall be made by two thirds or more votes of the directors.

\* The resolutions of *italicized* items shall require special resolutions.

## JGB OTC Transactions Management Committee

Item	Contents	Remarks
1. Purpose of Committee	<ul style="list-style-type: none"> <li>The Committee shall be set up to reflect JGB OTC Transactions Clearing Participant's and Class D shareholders' opinions in the administration and operation of JSCC's JGB OTC Transactions Clearing Business.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee will be established as an advisory committee stipulated in the JSCC Rules of Board of Directors.</li> </ul>
2. Committee Members		
(1) Delegation of Committee Members and Special Committee Members	<ul style="list-style-type: none"> <li>JSCC shall appoint following persons as the members of the Committee:               <ol style="list-style-type: none"> <li>JGB OTC Transactions Clearing Participants (hereinafter referred to as the "Clearing Participants"); and</li> <li>Holders of Class D shares issued by JSCC or a person other than a Clearing Participant included in the corporate group to which such shareholder belongs, who are considered appropriate by the Committee.</li> </ol> </li> <li>Among Committee Members, JSCC will appoint the holders of Class D Shares issued by JSCC or a person included in the corporate group to which such shareholder belongs as the Special Committee Members.</li> </ul>	<ul style="list-style-type: none"> <li>Assuming TSE as a person falling under criteria (2) for the time being.</li> <li>If multiple Clearing Participants falling under criteria described in the left column are included in the same corporate group, one of the Clearing Participants designated by such multiple Clearing Participants is appointed as a Special Committee Member.</li> </ul>
(2) Chairperson	<ul style="list-style-type: none"> <li>There shall be a chairperson in the Committee, who will be elected from among the Special Committee Members by the Special Committee Members.</li> <li>The term of the Chairperson shall be one year.</li> <li>In cases where the Chairperson ceases to be the Special Committee Member, a new</li> </ul>	



	Chairperson shall be appointed.	
(3) Notification of Representatives of Committee Members and Special Committee Members	<ul style="list-style-type: none"> <li>Immediately after its election, each committee member or Special Committee Member shall specify one or more persons out of the directors or employees of such committee member, Special Committee Member or other companies, etc. within the same Corporate Group who have expertise in the trading practices of JGB OTC Transactions to act as a representative or agent of such committee member or Special Committee Member with respect to its duties (hereinafter referred to as a “Representative of Committee Member” or “Representative of Special Committee Member,” as applicable).</li> </ul>	
(4) Obligations of Committee Members, etc.	<ul style="list-style-type: none"> <li>Committee members and Special Committee Members and Representatives of Committee Members and Representatives of Special Committee Members (including those who were previously in such position) shall keep confidentiality of information obtained in the course of their duties and may not divulge to a third party, or use for any purpose other than performance of their duties as the committee member or the Special Committee Member, such information without any justifiable reason.</li> </ul>	
3. Matters to be Consulted	<ul style="list-style-type: none"> <li>When JSCC intends to make decision about any of the matters listed below, it shall seek advice of the Committee and shall respect opinions of the Committee. This shall not apply to decisions deemed to have minor importance. <ul style="list-style-type: none"> <li>(1) Matters related to rules and operations of JGB OTC Transactions Clearing Business: <ul style="list-style-type: none"> <li>a. Addition and change to Transactions Subject to Clearing;</li> <li>b. Change to Clearing Qualification Criteria;</li> <li>c. Matters related to Brokerage for Clearing of Securities, etc.;</li> <li>d. Change to treatment related to Initial Margin;</li> <li>e. Change to treatment related to renunciation of JGB OTC Transactions Clearing Qualification by a request from Clearing Participant;</li> </ul> </li> </ul> </li> </ul>	

	<p>f. Change to treatment related to Variation Margin;</p> <p>g. Change to treatment related to measures taken upon Clearing Participant's settlement default;</p> <p>h. Change related to criteria to trigger measures against Clearing Participant; and</p> <p>i. Other matters deemed necessary from view point of rules operations related to JGB OTC Transactions Clearing Business.</p> <p>(2) Matters related to management of JGB OTC Transactions Clearing Business division:</p> <p>a. Matters concerning business plan in relation to JGB OTC Transactions Clearing Business;</p> <p>b. Dividends from surplus to holders of Class D shares issued by JSCC;</p> <p>c. Nomination of candidates for JSCC Directors recommended by the Committee;</p> <p>d. Amendment to these rules;</p> <p>e. Matters related to fees;</p> <p>f. Matters related to JGB OTC Transactions Clearing System;</p>	
<p>4. Holding Meetings</p>	<ul style="list-style-type: none"> <li>• Meetings of the Committee shall be convened by the President &amp; CEO upon his/her decision, provided that this shall not preclude a convention of the Committee meeting through a resolution of the Board of Directors of JSCC.</li> <li>• When intending to convene a meeting of the Committee, JSCC shall notify the Committee Members and Special Committee Members of the date, place, agenda and other necessary matters in advance, unless JSCC considers there is an urgent need for convening such meeting.</li> <li>• The Representative of Committee Member or Representative of Special Committee Member shall attend the meeting of the Committee. However, in cases where they are</li> </ul>	

	<p>unable to attend a committee meeting due to unavoidable reasons, they may have an alternative person affiliated with such Participant or other companies within the same Corporate Group attend the committee meeting.</p> <ul style="list-style-type: none"> <li>• When it deems necessary, JSCC may, in lieu of holding a Committee meeting, hold the meeting via documents.</li> <li>• In principle, JSCC will hold the Committee meetings at least once in each quarter (including the meeting held via documents).</li> </ul>	<ul style="list-style-type: none"> <li>• If JSCC deems it necessary, it may hold the meeting by telephone or other method, or permit attendance of Committee Members or Special Committee Members via telephone.</li> </ul>
<p>5. Method of Resolution</p>	<ul style="list-style-type: none"> <li>• A Committee meeting may not be held unless the number of Committee Members or Special Committee Members specified in the following items with respect to the matters to be consulted listed below is in attendance: <ul style="list-style-type: none"> <li>(1) Matters related to rules and operations in relation to JGB OTC Transactions Clearing Business: <p>At least one half of the Committee Members (excluding the Committee Members who are not permitted to participate in the deliberation due to special interest); and</p> </li> <li>(2) Matters concerning management of business division related to JGB OTC Transactions Clearing Business: <p>At least one half of the Special Committee Members (excluding the Special Committee Members who are not permitted to participate in the deliberation due to special interest ).</p> </li> </ul> </li> <li>• The Chairperson shall make efforts to have decisions on the business at the Committee meeting be made unanimously by the Committee Members in attendance, with respect to the matters in (1) above, and by the Special Committee Members in attendance, with respect to the matters in (2) above.</li> </ul>	<ul style="list-style-type: none"> <li>• Matters listed in 3. (1).</li> <li>• Matters listed in 3. (2).</li> </ul>

	<ul style="list-style-type: none"> <li>• The business at the Committee meeting shall be resolved by a majority vote of the Committee Members in attendance, with respect to the matters listed in (1) above, and of the Special Committee Members in attendance, with respect to the matters listed in (2) above.</li> <li>• A committee member or a Special Committee Member may not participate in the deliberation of the matter in which it has special interest.</li> </ul>	
6. Report to Board of Directors	<ul style="list-style-type: none"> <li>• The chairperson shall report resolutions and other details of deliberations in the Committee meeting with respect to the matters to be consulted to the JSCC Board of Directors.</li> </ul>	
7. Secretariat	<ul style="list-style-type: none"> <li>• The secretariat of the Committee shall be JSCC, and the full time Director of JSCC shall participate as Secretariat.</li> <li>• The secretariat shall be engaged in the support of Committee Members and Special Committee Members, administrative communication, providing the assistance for the administration of meetings, preservation of records and other operational works for the Committee.</li> </ul>	
8. Rules and operations Subcommittee	<ul style="list-style-type: none"> <li>• The Committee may establish a Rules and operations Subcommittee for practical review related to matters concerning rules and operations related to JGB OTC Transactions Clearing Business.</li> </ul>	<ul style="list-style-type: none"> <li>• In the manner equivalent to the "Special Committee" currently existing at JGBCC, members of the Rules and operations Subcommittee shall consist of Clearing Members which desire to participate and purpose of such committee is to form a consensus among Clearing Participants.</li> <li>• Matters necessary for administration of the Rules and operations Subcommittee</li> </ul>

		shall be determined by the Committee at each occasion.
9. Delegation	<ul style="list-style-type: none"> <li>• Matters necessary for administration of the Committee other than what are prescribed in JSCC rules shall be prescribed by the Committee on each applicable occasion.</li> </ul>	

## Outline of Fees

	Fee Rate
Account Management Fee	JPY500,000 per month (with regard to a Clearing Participant who has opened more than one netting accounts, the applicable amount shall be said amount plus an amount calculated by deducting one from the number of netting accounts that the Clearing Participant opens multiplied by JPY200,000)
Obligation Assumption Fee	(1) Buying and Selling, etc. of Japanese Government Bonds Amount of money to be paid/received on buying/selling settlement day $\times$ 0.002/10,000 (or 0.0005/10,000 for Treasury discount bills); (2) Cash-secured Bond Lending Transactions, etc. Amount of money to be paid/received on transaction settlement day $\times$ 0.001/10,000 (or 0.0001/10,000 multiplied by number of days in lending period for overnight transactions); (3) Repo Transaction, etc. Amount of money to be paid/received on Ending Transaction delivery day $\times$ 0.001/10,000 (or 0.0001/10,000 multiplied by number of days in transaction period for overnight transactions) .
Balance Management Fee	Amount of Balance Management Fee on each Settlement Day, etc. = Total amount of Money Settlement Obligations between each JGB OTC Transactions Clearing Participant and JSCC with the same settlement day, etc. $\times$ Number of days to the day immediately preceding the next business day / 365 $\times$ 0.09/10,000
Settlement Day Management Fee	Settlement Day Management Fee on each Settlement Day, etc. = Total transaction amount of Transactions Subject to Clearing relating to obligations with the same settlement day, etc. assumed on such day from each JGB OTC Transactions Clearing Participant $\times$ Number of excess days to settlement day, etc. / 365 $\times$ 0.015/10,000

DVP Settlement Fee	JPY200 per DVP Settlement
Collateral Management Fee	JPY200 per Return of Initial Margin
Web Terminal Usage Fee	JPY10,000 × Largest number of Web Terminal User IDs in the relevant month
Certificate Issuance Fee	JPY3,000 per Initial Margin Balance Certificate