

Structure Revisions associated with Integration of Derivatives Market

June 25, 2013

Japan Securities Clearing Corporation

Item	Outline	Remarks
I. Purpose	<ul style="list-style-type: none"> • In association with the integration of the derivatives markets of Osaka Securities Exchange, Co., Ltd. (hereinafter referred to as “OSE”) and Tokyo Stock Exchange, Inc. (hereinafter referred to as “TSE”) scheduled in March 2014, JSCC will make necessary revisions to its structure, such as method of determination of clearing price/clearing price index for Futures Contracts and clearing price for Option Contracts, and handling when Intraday Margin call is triggered. 	<ul style="list-style-type: none"> • As regards listed derivatives currently traded on OSE, clearing price index and clearing price shall mean “settlement price” prescribed by OSE in its rules.
II. Outline of Revisions		
1. Clearing Price / Clearing Price Index related to Futures Contracts	<ul style="list-style-type: none"> • The clearing price index for Index Futures Contracts (i.e., Nikkei Average Futures Contract, Nikkei 225 VI Futures Contract, DJIA Futures Contract, RNP Index Futures Contract, TOPIX Futures Contract (large contract), TOPIX Core 30 Futures Contract, TSE REIT Index Futures Contract and TOPIX Banks Index Futures Contract) shall be the last contract value in the auction trading during the period from 3:00 P.M. to the close of the day session on the relevant trading day, or, if there is no such contract value, the value determined by JSCC taking into consideration various factors, such as theoretical price and status of quotes at the close of day session on the relevant day. • The clearing price index for Nikkei 225 mini whose last trading day is the same as that of Nikkei Average Futures Contract shall be the same as the clearing price index for the relevant Nikkei Average Futures Contract. • The clearing price index for TOPIX Futures Contract (mini contract) whose last trading day 	<ul style="list-style-type: none"> • For the method of determination of clearing price index for the products listed in the left column, the method currently adopted for products listed on OSE will be adopted. • Same as current procedures.

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<p>2. Clearing Price related to Option Contracts</p>	<p>is the same as that of TOPIX Futures Contract (large contract) shall be the same as the clearing price index for the relevant TOPIX Futures Contract (large contract).</p> <ul style="list-style-type: none"> • There will be no change to the method of determination of clearing price for JGB Futures Contract and Dividend Index Futures Contract. <p>• The clearing price related to Option Contracts shall be determined as outlined below. However, if JSCC considers a value so obtained inappropriate as clearing price, then the clearing price related to Option Contract shall be the value determined by JSCC on a case-by-case basis.</p> <p>(1) Nikkei Average Option Contract</p> <p>The clearing price related to Option Contract shall be the last contract price in the auction trading during the period from 3:00 P.M. to the close of day session, or, if there is no such price, the theoretical price calculated by JSCC.</p>	<ul style="list-style-type: none"> • Same as current procedures. • As to 20-year JGB Futures Contracts trading of which is scheduled to resume in April 2014, the current method of determination of clearing price shall apply. • Method of determination of clearing price and calculation method of theoretical price for products currently listed on OSE will be adopted.

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<p>3. Conditions to Trigger Intraday Margin Call, etc.</p>	<p>(2) Security Option Contracts, Option on JGB Futures and TOPIX Option Contracts The clearing price for Option Contract shall be the theoretical price calculated by JSCC.</p> <ul style="list-style-type: none"> • When the market price of JGB Futures Contracts or Index Futures Contracts falls under the conditions listed below or otherwise JSCC deems necessary, if the sum of the amount of money and the value, valued using substituting prices, of securities, deposited as Margin for Clearing Participant's proprietary account, falls below Intraday Margin Requirement calculated by JSCC, a Clearing Participant must deposit with JSCC the amount at least equal to such shortfall as Margin for its proprietary account by 4:00 P.M. on the relevant day. <p>(1) With respect to the contract month contract prescribed by JSCC among JGB Futures Contract, if the difference between the contract price at the close of morning session and the clearing price on the previous trading day exceeds the value predetermined by JSCC.</p>	<ul style="list-style-type: none"> • Calculation method of theoretical price for products currently listed on OSE will be adopted. • Same as current procedures. • The contract month contract prescribed by JSCC shall be the central contract month contract for 10-year JGB Futures Contract, in principle. • The value predetermined by JSCC shall be the value of the Price Scan Range applicable to the Combined Commodity in

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	<p>(2) With respect to the contract month contract prescribed by JSCC among Index Futures Contracts, if the difference between the latest contract price executed in auction trading available as of 11:00 A.M. and the clearing price index for the previous trading day exceeds the value predetermined by JSCC.</p>	<p>which respective Futures Contract is contained. The same shall apply in (2) below.</p> <ul style="list-style-type: none"> • The contract month contract prescribed by JSCC shall be the central contract month contract for Nikkei Average Futures Contract and the central contract month contract for TOPIX Futures Contract, in principle. • The same conditions as described in 3.(2) is adopted as conditions to trigger intraday deposit of Clearing Fund related to Securities Clearing Qualification. Therefore, the uniform judgment timing of 11:00 A.M. will be adopted.

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4. Intraday Margin Requirement	<ul style="list-style-type: none"> • The Intraday Margin requirement shall be determined by adding or subtracting the amount equivalent to Futures Contract difference and the amount equivalent to option premium, to or from the recalculated risk amount as outlined below: <p>(1) Recalculated Risk Amount</p> <ul style="list-style-type: none"> ① JGB Futures Contracts and Option on JGB Futures Recalculated risk amount obtained based on the status of positions on Trading Participant's proprietary account (positions and contracting status) as of the close of morning session and intraday clearing price. ② Security Option Contracts, Index Futures Contracts and Index Option Contracts Recalculated risk amount obtained based on the status of positions on Trading Participant's proprietary account (positions and contracting status) as of 11:00 A.M. and intraday clearing price index. 	<ul style="list-style-type: none"> • If the relevant Clearing Participant is paying the amount equivalent to Futures Contract difference and option premium, then such amount shall be added to the requirement, and if it is receiving such amount, then such amount shall be subtracted from the requirement. • When obtaining the recalculated risk amount, SPAN Margin Requirement and aggregate value of net option value on proprietary account will be calculated using SPAN® in the same manner as current procedures.

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5. Intraday Clearing Price and Intraday	<p>(2) Amount Equivalent to Futures Contract Difference</p> <p>① JGB Futures Contracts With respect to trades executed during the night session and morning session of the relevant trading day, the amount equivalent to the difference between its contract price and intraday clearing price.</p> <p>② Index Futures Contracts With respect to trades executed during the night session and day session before 11:00 A.M. of the relevant trading day, the amount equivalent to the difference between its contract price and intraday clearing price index.</p> <p>(3) Amount Equivalent to Option Premium</p> <p>① Option on JGB Futures Amount equivalent to the option premium related to trades executed during the night session and morning session of the relevant trading day.</p> <p>② Security Option Contract and Index Option Contract Amount equivalent to the option premium related to trades executed during the night session and day session before 11:00 A.M. of the relevant trading day.</p> <p>• Intraday clearing price and intraday clearing price index shall be determined in the following manner.</p>	

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Clearing Price Index	<p>(1) Index Futures Contracts If there exists contract value in the auction trading during the period from 10:45 A.M. to 11:00 A.M., the last executed contract value during such period shall be the intraday clearing price index, or, if there is no such value, the value determined by JSCC taking into consideration the theoretical price and the status of quotes as of 11:00 A.M. shall be the intraday clearing price index.</p> <p>(2) Index Option Contracts (Nikkei Average Option Contracts) If there exists contract price in the auction trading during the period from 10:45 A.M. to 11:00 A.M., the last executed contract price during such period shall be the intraday clearing price, or, if there is no such price, the theoretical price shall be the intraday clearing price.</p> <p>(3) Index Option Contracts (TOPIX Option Contracts) and Security Option Contracts Theoretical price shall be the intraday clearing price.</p> <p>(4) JGB Futures Contracts Intraday clearing price shall be determined according to the method of determination of clearing price related to the same JGB Futures Contracts based on the status of contract price at the close of morning session.</p>	<ul style="list-style-type: none"> • Calculation method of intraday clearing price index related to Index Futures Contracts currently listed on OSE shall be adopted. • Calculation method of intraday clearing price related to Option Contracts currently listed on OSE shall be adopted. • Calculation method of theoretical price for products currently listed on OSE shall be adopted. • Current procedure will continue to apply.

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<p>6. Others</p> <p>III. Implementation Date</p>	<p>(5) Option on JGB Futures Theoretical price shall be the intraday clearing price.</p> <ul style="list-style-type: none"> • Other necessary revisions shall be made. • These revisions are scheduled to be implemented in March 2014. 	<ul style="list-style-type: none"> • Current procedure will continue to apply. • Clearing Fee will be separately announced around fall this year. • To be implemented at the same timing as the integration of derivatives markets of OSE and TSE.

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