

# Outlines of Japanese Government Bond OTC Transactions Clearing Business associated with Shortening of Japanese Government Bonds Settlement Cycle

November 26, 2014

Amended on May 27, 2015

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 revision of the frameworks of Japanese Government Bond OTC Transactions Clearing Business associated with shortening of the settlement cycle of Japanese Government Bond transactions.
- 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. Introduction of Subsequent Collateral Allocation Repos

Item	Description	Remarks
1. Transaction Subject to Clearing (1) Eligible Product	<ul style="list-style-type: none"><li>• Financial instruments subject to the Subsequent Collateral Allocation Repos are Japanese government bonds (excluding Inflation-Indexed Japanese government bonds and Japanese</li></ul>	<ul style="list-style-type: none"><li>• Same as current JGB OTC Transaction Clearing Business.</li></ul>

Item	Description	Remarks
(2) Eligible Transactions	<p>government bonds for retail investors).</p> <ul style="list-style-type: none"> <li>• Transactions subject to the Subsequent Collateral Allocation Repos are Repo Transactions satisfying the following criteria: <ul style="list-style-type: none"> <li>a. Transaction designating the basket specified by JSCC;</li> <li>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;</li> <li>c. The Ending Transaction delivery day arrives on or before the corresponding day after one (1) year from the contract day;</li> <li>d. As of the time of contracting, the Ending Transaction delivery day has been fixed;</li> <li>e. The delivery amount for the Starting Transaction is the integral multiple of 10 million yen;</li> <li>f. The delivery amount for both the Starting Transaction and the Ending Transaction is less than 10 trillion yen;</li> <li>g. Repo Transaction with accrued interest;</li> <li>h. Transaction which does not involve re-pricing;</li> <li>i. Transaction to which haircut does not apply; and</li> <li>j. For transactions facing a Trust Account, the fund code is identified.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Subsequent Collateral Allocation Method is not introduced into Cash-secured Bond Lending Transactions</li> <li>• Same as current JGB OTC Transaction Clearing Business, except for a, b, e and j.</li> </ul>
(3) Basket	<ul style="list-style-type: none"> <li>• 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”).</li> <li>• Contents of baskets shall be reviewed periodically.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment and review of baskets shall be the matter to be consulted with the advisory committee.</li> <li>• Details of review frequency and procedures will be separately</li> </ul>

Item	Description	Remarks
<p>2. Clearing [<i>Assumption of Obligations</i>]</p> <p>(1) Application for Clearing</p>	<ul style="list-style-type: none"> <li>• Issue code of the basket will be ISIN Code and Bond Issue Code.</li> <li>• JSCC will disclose information on change of Issues subject to Allocation included in baskets.</li>   <li>• 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.</li>   <li>• A Clearing Participant shall apply for Clearing by specifying the following: <ul style="list-style-type: none"> <li>a. Name of delivering Clearing Participant and receiving Clearing Participant;</li> <li>b. Netting accounts of delivering Clearing Participant and receiving Clearing Participant;</li> <li>c. Fund code related to Transaction subject to Clearing (in respect of transactions involving Netting Account that is a Trust Account);</li> </ul> </li> </ul>	<p>discussed.</p> <ul style="list-style-type: none"> <li>• Detailed handling of Codes will be discussed with Securities Identification Code Committee.</li> <li>• See Annex 1 for the details of baskets composition.</li>   <li>• No new Clearing Qualification will be established.</li> <li>• 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).</li> <li>• An application for Clearing may be made through an agent (same as current JGB OTC Transaction Clearing Business).</li> <li>• Same as current JGB OTC Transaction Clearing Business, except for c and e (issue and quantity of Japanese government bonds that are required to be notified when applying for</li> </ul>

Item	Description	Remarks																
(2) Clearing	<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="539 643 1529 1249"> <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> <p>• 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</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	<p>Clearing under current JGB OTC Transaction Clearing Business is not required to be notified).</p> <p>• Possible revision of time schedules, including cutoff times specified in the left column, will be considered as appropriate in light of the result of Participant connection tests and other factors.</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	<p>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”:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>d. The obligation to deliver Allocated JGBs on the Ending Transaction delivery day owed by the receiving Clearing Participant against the delivering Clearing Participant.</li> </ul> <p>• 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”:</p> <ul style="list-style-type: none"> <li>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 (excluding holidays; the same applies hereinafter);</li> <li>b. The obligation of JSCC to pay funds to the receiving Clearing Participant in the</li> </ul>	<ul style="list-style-type: none"> <li>• There will be no Clearing related to Unwind and Rewind for overnight transactions.</li> </ul>

Item	Description	Remarks
	<p>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 Participant on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending</p>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

Item	Description	Remarks
3. Basket Netting	<p>Transaction delivery day.</p> <ul style="list-style-type: none"> <li>• 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”:</li> <li>a. Starting Obligation and Rewind Obligation; and</li> <li>b. Ending Obligation and Unwind Obligation.</li> </ul>	
4. Handling of Issues to be Allocated and Allocable Quantities	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• See Annex 2 for treatment of accounts for Subsequent Collateral Allocation Repos.</li> <li>• The manner prescribed by JSCC shall be through Pre-Settlement Matching System of Japan Securities Depository Center, Inc.</li> <li>• Clearing Participant which will not become the delivering party of JGBs is not required to submit the Allocable Balance Notice.</li> </ul>

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"> <li>• 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.</li> <li>• 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.</li> <li>• 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"> <li>(i) Basket position corresponding to Starting/Rewind Obligations based on 1st basket netting results of which delivery day is the current day;</li> <li>(ii) Basket position corresponding to Ending/Unwind Obligations based on 1st basket netting results of which delivery day is the next day.</li> </ul> </li> <li>• 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 prescribed by JSCC.</li> <li>• The collateral allocation under (ii) shall be determined as the same issue and same quantity</li> </ul>	<ul style="list-style-type: none"> <li>• The Allocable Balance Notice may be submitted through an agent.</li> <li>• See Annexes 3 and 4 for the treatment of the Allocable Balance Notice.</li> <li>• See Annex 5 for detailed collateral allocation method and illustration of collateral allocation.</li> <li>• 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 delivering Clearing Participant on the current day.</li> </ul>



Item	Description	Remarks
<p>b. Handling at 2nd Collateral Allocation</p>	<p>as the collateral determined under (i).</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Second collateral allocation shall cover following basket positions: <ul style="list-style-type: none"> <li>(i) Basket position corresponding to Starting/Rewind Obligations based on the 2nd basket netting results of which the current day is the delivery day;</li> <li>(ii) Basket position corresponding to Ending/Unwind Obligations based on the 2nd basket netting results of which the next day is the delivery day.</li> </ul> </li> <li>• 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.</li> <li>• The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i).</li> <li>• 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.</li> </ul>	
<p>c. Handling at 3rd Collateral Allocation</p>	<ul style="list-style-type: none"> <li>• Third collateral allocation shall cover following basket positions: <ul style="list-style-type: none"> <li>(i) Basket position corresponding to Starting/Rewind Obligations based on the 3rd basket netting results of which the current day is the delivery day;</li> </ul> </li> </ul>	

Item	Description	Remarks
<p>(3) Notification of Collateral Allocation Results, etc.</p> <p>6. Settlement</p> <p>(1) Delivery Quantity and Settlement Amount</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"> <li>• 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.</li> <li>• The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i).</li> <li>• 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.</li> </ul> <ul style="list-style-type: none"> <li>• JSCC will notify results, etc. of the collateral allocation to the Clearing Participants in the manner prescribed by JSCC.</li> </ul> <ul style="list-style-type: none"> <li>• The delivery of JGBs related to Subsequent Collateral Allocation Repos (other than the delivery deferred to next day or later date due to fail) shall be made in the method of delivering/receiving the net quantity by issue with the same settlement cutoff time.</li> <li>• The settlement of funds related to Subsequent Collateral Allocation Repos shall be</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The settlement of Subsequent Collateral Allocation Repos shall be processed separately from the settlement for existing JGB OTC Transaction</li> </ul>

Item	Description	Remarks												
(2) Japanese government bond DVP Settlement	<p>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 based on basket netting results).</p> <ul style="list-style-type: none"> <li>• 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”).</li> <li>• Settlement Cutoff Time shall be as follows:</li> </ul> <table border="1" data-bbox="548 687 1520 1206"> <thead> <tr> <th data-bbox="548 687 797 815"></th> <th data-bbox="797 687 1039 815">For 1st Collateral Allocation and Ending/Unwind</th> <th data-bbox="1039 687 1279 815">For 2nd Collateral Allocation</th> <th data-bbox="1279 687 1520 815">For 3rd Collateral Allocation</th> </tr> </thead> <tbody> <tr> <td data-bbox="548 815 797 1034">Settlement between Delivering Clearing Participant and JSCC</td> <td data-bbox="797 815 1039 1034">10:30 a.m.</td> <td data-bbox="1039 815 1279 1034">1:30 p.m.</td> <td data-bbox="1279 815 1520 1034">3:30 p.m.</td> </tr> <tr> <td data-bbox="548 1034 797 1206">Settlement between JSCC and Receiving Clearing Participant</td> <td data-bbox="797 1034 1039 1206">11:00 a.m.</td> <td data-bbox="1039 1034 1279 1206">2:00 p.m.</td> <td data-bbox="1279 1034 1520 1206">4:00 p.m.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• The request 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 settlement between JSCC and the receiving Clearing Participant.</li> </ul>		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>Clearing Business (i.e., outright transactions and Standard Repos (Repo Transactions other than Subsequent Collateral Allocation Repos)).</p> <ul style="list-style-type: none"> <li>• For the settlement under existing JGB OTC Transaction Clearing Business, the request for JGB DVP Settlement</li> </ul>
	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	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<p>between the delivering Clearing Participant and JSCC is to be given by the delivering Clearing Participant.</p> <ul style="list-style-type: none"> <li>• Same as current JGB OTC Transaction Clearing Business.</li> <li>• 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.</li> </ul>
(4) FOS Settlement	<ul style="list-style-type: none"> <li>• Payment/receipt of funds of the delivery adjustment amount related to Subsequent Collateral Allocation Repos shall be made through current account transfer at Bank of Japan.</li> <li>• 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.</li> </ul>	
7. Variation Margin	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• See Annex 6 for detailed calculation method of Required Variation Margin Amount.</li> <li>• The settlement of Variation Margin related to Subsequent Collateral</li> </ul>

Item	Description	Remarks
		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.

### III. Other Framework Revisions

Item	Description	Remarks
1. Change of Basis of Regular Transfer Day	<ul style="list-style-type: none"> <li>Basis of “Regular Transfer Day” used for calculation of appraisal value of Japanese Government Bonds and Variation Margin will be changed from T+2 to T+1.</li> </ul>	<ul style="list-style-type: none"> <li>Same treatment as shortening of settlement cycle implemented in April 2012 (change of outright to T+2).</li> </ul>
2. Revision of Initial Margin, etc.	<ul style="list-style-type: none"> <li>As timing and profile of intraday change in risks will change in association with an introduction of Subsequent Collateral Allocation Repos, framework of Initial Margin etc. will be revised as follows:               <ol style="list-style-type: none"> <li>Frequency of daily Initial Margin requirement calculation and deposit will be changed from once a day to 3 times a day;</li> <li>For various components of Initial Margin requirement, calculation method will be revised to the one based on features of Subsequent Collateral Allocation Repos; and</li> <li>Other necessary revisions will be made.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>See Annex 7 for details of revisions of Initial Margin etc.</li> </ul>
3. Revision of Fees	<ul style="list-style-type: none"> <li>Fee structure will be revised as follows:</li> </ul>	<ul style="list-style-type: none"> <li>See Annex 8 for detailed fee</li> </ul>

Item	Description	Remarks
4. Other	<ul style="list-style-type: none"> <li>a. Collateral allocation fee will be newly charged;</li> <li>b. Maximum amount of fee will be abolished, and step-down fee rate will be adopted for Obligation Assumption Fee, Balance Management Fee and collateral allocation fee wherein fee rate will be decreased in phase according to increase of trading volume; and</li> <li>c. Other necessary revisions will be made.</li> </ul> <ul style="list-style-type: none"> <li>• Make other necessary amendments in association with shortening of settlement cycle and introduction of Subsequent Collateral Allocation Repos.</li> </ul>	<p>revisions.</p> <ul style="list-style-type: none"> <li>• P/L forecast will be reconfirmed before implementation of shortened settlement cycle, and fee rates and other factors will be revised as necessary.</li> </ul>

#### IV. Implementation Timing

- Implementation timing is to be determined in light of the system accommodation and test schedules and the like for shortening of settlement cycle at JSCC, Clearing Participants and related organizations.

End of Document

## Baskets for Subsequent Collateral Allocation Repos

- For Subsequent Collateral Allocation Repos, JSCC will establish baskets specifying the scope of Issues subject to Allocation.
- Contents of baskets to be established at the start of Subsequent Collateral Allocation Repos will basically be as outlined below, and will be determined through consultation with market participants and other parties concerned at certain point in time before implementation of the scheme. In consultation with market participants and other parties concerned, JSCC will periodically review contents of baskets after implementation of the scheme. .

## &lt; Expected Basket &gt;

	Issue Name	Issue Short Name	Issue Code	Type / Limitation by Term to Maturity of Covered JGBs
①	JGB Basket (Interest-bearing Bonds, Floating-rate Bonds, Treasury Discount Bills)	JGBB (Large)	JPXXX101XXXX 0101XXXX	Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years), Interest-bearing (30 years), Interest-bearing (40 years), Interest-bearing (Floating Rate/15 years), Treasury Discount Bills
②	JGB Basket (Interest-bearing Bonds, Treasury Discount Bills)	JGBB (FixedRate)	JPXXX103XXXX 0103XXXX	Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years), Interest-bearing (30 years), Interest-bearing (40 years), Treasury Discount Bills
③	JGB Basket (Interest-bearing Bonds with term to maturity of less than 10 years, Treasury Discount Bills)	JGBB (U10/TDB)	JPXXX105XXXX 0105XXXX	Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years) /Term to Maturity less than 10 years, Interest-bearing (30 years) /Term to Maturity less than 10 years, Interest-bearing (40 years) /Term to Maturity less than 10 years, Treasury Discount Bills
④	JGB Basket (Principal-only Book-entry Transfer JGBs/ Coupon-only Book-entry Transfer JGBs)	JGBB(STRIPS)	JPXXX201XXXX 0201XXXX	Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs

- \* Code example shown in the first line on Issue Code column represents an example for ISIN and in the second line represents an example for Bond Issue Code (domestic code) .
- \* With respect to the type of JGBs, limitation on term to maturity by each type of JGBs (condition of maximum term to maturity of covered JGBs) is allowed to be set.
- \* For each Basket, it will be allowed to cover specific issue of which type of JGB is not listed or to exclude specific issue of listed type of JGBs.
- \* 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 through 4) or whose component issues do not overlap with any other basket at all, may be established (Figs. 5).

Fig.1

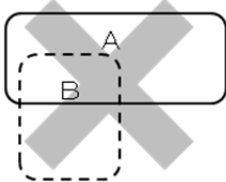


Fig.2

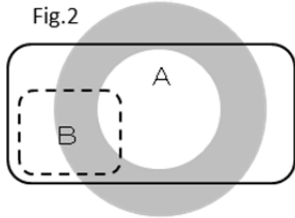


Fig.3

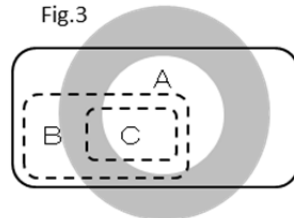


Fig.4

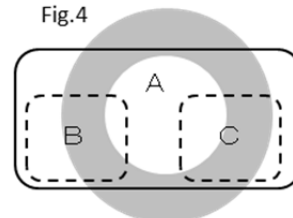
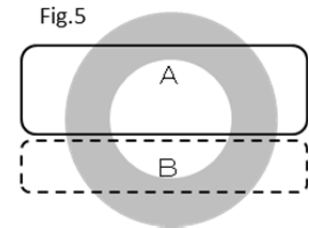


Fig.5



- \* Basket Issue Names and Issue Codes will be determined upon consultation with market participants and other parties concerned and Securities Identification Code Committee going forward.



## 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

&lt; Example: When Bank Clearing Participant Opens two Netting Accounts &gt;

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)

&lt; Points of Attention &gt;

- ✓ 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"> <li>• 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<sup>*1</sup> will be included (it will be an estimated balance because Allocable Balance Notice is to be submitted a day before the allocation date).</li> </ul>
2nd	11:00 a.m. on current day	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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)<sup>*2*3</sup>.</li> </ul>
3rd	2:00 p.m. on current day	Same as above <sup>*4</sup>

\*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"> <li>• Issues that are contained in Allocable Balance Notice and to be received on the allocation date in relation to Subsequent Collateral Allocation Repos<sup>*</sup></li> </ul>	<ul style="list-style-type: none"> <li>• By Issue subject to Allocation to be used for Collateral Allocation, lesser of:               <ul style="list-style-type: none"> <li>① Balance stated in Allocable Balance Notice; and</li> <li>② Quantity of JGBs scheduled to be received on the allocation date in relation to Subsequent Collateral Allocation Repos</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
2nd and 3rd	<ul style="list-style-type: none"> <li>• Issues contained in Allocable Balance Notice</li> </ul>	<ul style="list-style-type: none"> <li>• Balance stated in Allocable Balance Notice</li> </ul>	

\* 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"> <li>• 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.</li> <li>• 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."</li> <li>• 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."</li> </ul>	<ul style="list-style-type: none"> <li>• See Appendix 1 for example of matching delivering Clearing Participant and receiving Clearing Participant</li> </ul>
2. Method of Determination of Allocation Quantity by Issue	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Specifically, collateral to be allocated are determined according to the order among</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>

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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>accrued interest" obtained by adding accrued interest up to the allocation date).</p> <ul style="list-style-type: none"> <li>• See Appendix 2</li> </ul>

Item	Description	Remarks
(2) Order among Positions a. Order among Netting Accounts  b. Order among Baskets  c. Order among Positions	<ul style="list-style-type: none"> <li>• 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).</li> <li>• 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.</li> <li>• 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).</li> </ul>	<ul style="list-style-type: none"> <li>• See Appendix 3</li> </ul>
4. Collateral Allocation Order in 2nd and 3rd Collateral Allocation		
(1) Order among Issues	<ul style="list-style-type: none"> <li>• Same as 3. (1) b.</li> </ul>	<ul style="list-style-type: none"> <li>• It shall be the same for all basket positions subject to 2nd and 3rd Collateral Allocation.</li> </ul>
(2) Order among Positions subject to Allocation	<ul style="list-style-type: none"> <li>• Same as the order in 1st Collateral Allocation.</li> </ul>	

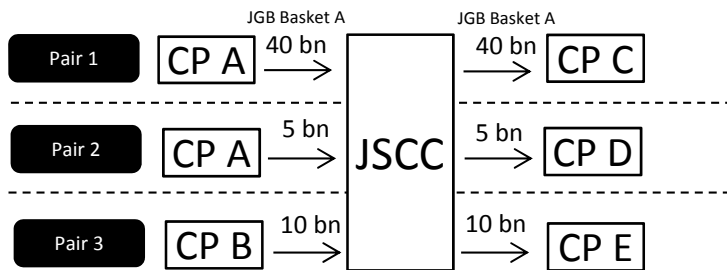
Item	Description	Remarks
5. Issues Excluded from Collateral Allocation	<ul style="list-style-type: none"> <li>• Issues with respect to which the coupon payment date or redemption date falls on the next business day following the date of Collateral Allocation shall be excluded from Issues subject to Allocation.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

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# Illustration of Deliverer-Receiver Matching Process for Collateral Allocation

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

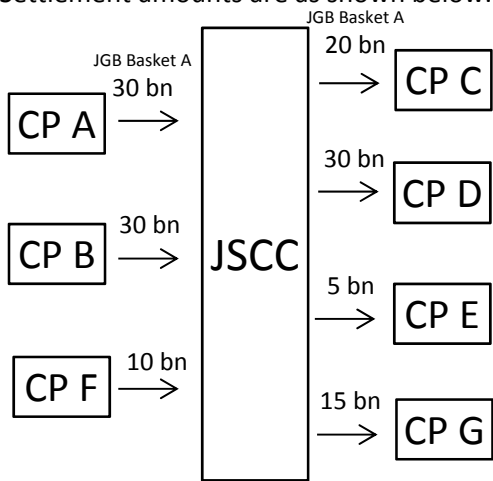
【Pairs for Previous Day's Collateral Allocation】



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### ① Current Day's Basket Netting Results

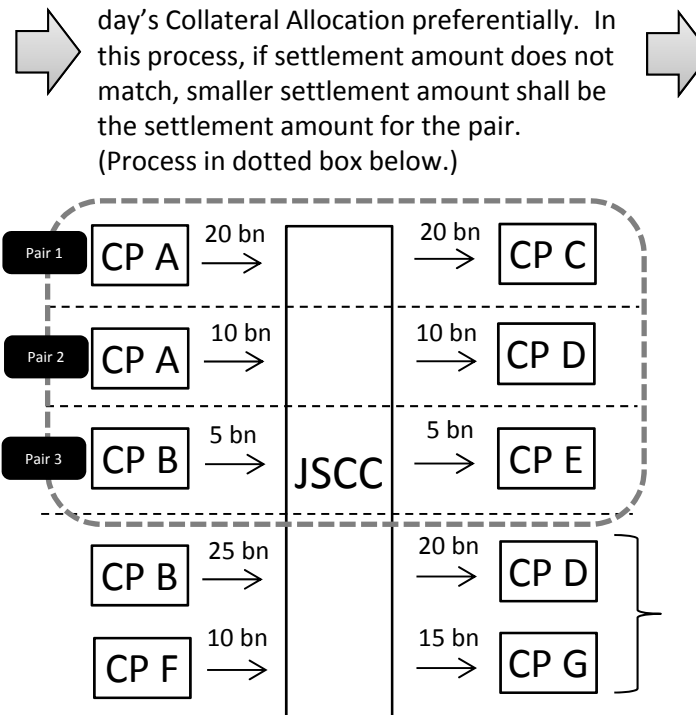
Assuming, as a result of Basket Netting, Clearing Participants A, B, F will be deliverers and Clearing Participants C, D, E, G will be receivers of JGB (JGB Basket A) in respect of Starting/Rewind Obligations. (Settlement amounts are as shown below.)



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

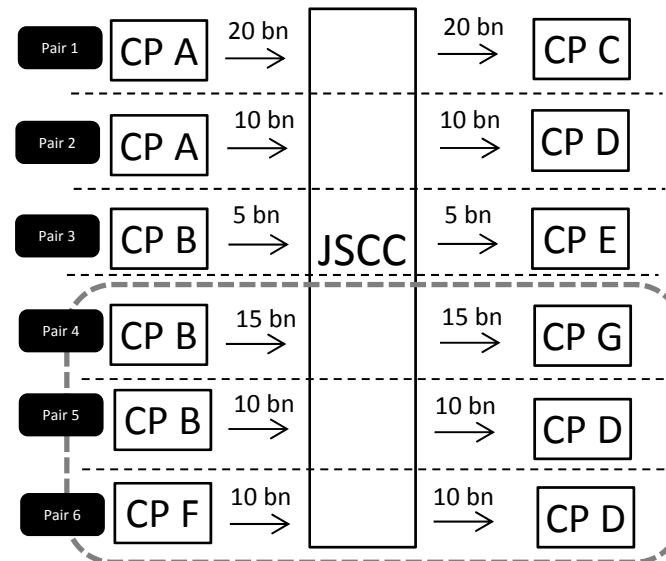
### ② Preferentially Match Previous Day's Pairs

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

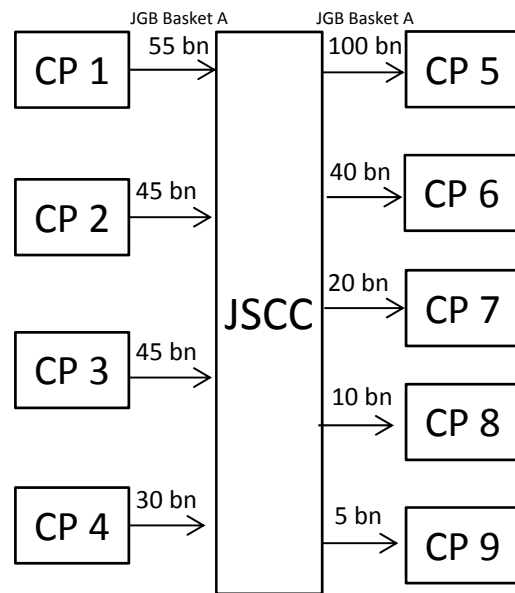
As to positions for which pairs are not determined through process in ②, Randomly determine pairs based on "2. Random Matching Process (see next page)." (Process in dotted box below)



## 2. Illustration of Random Matching Process

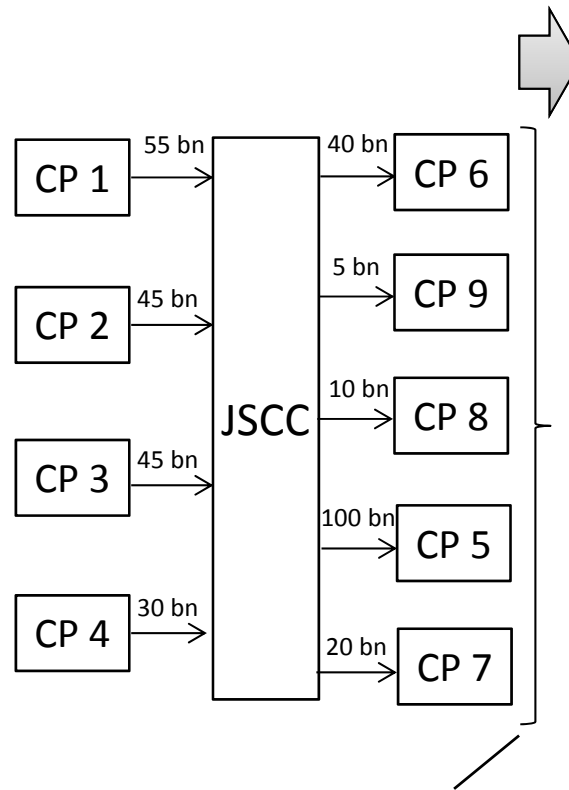
### ① Basket Netting Results

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

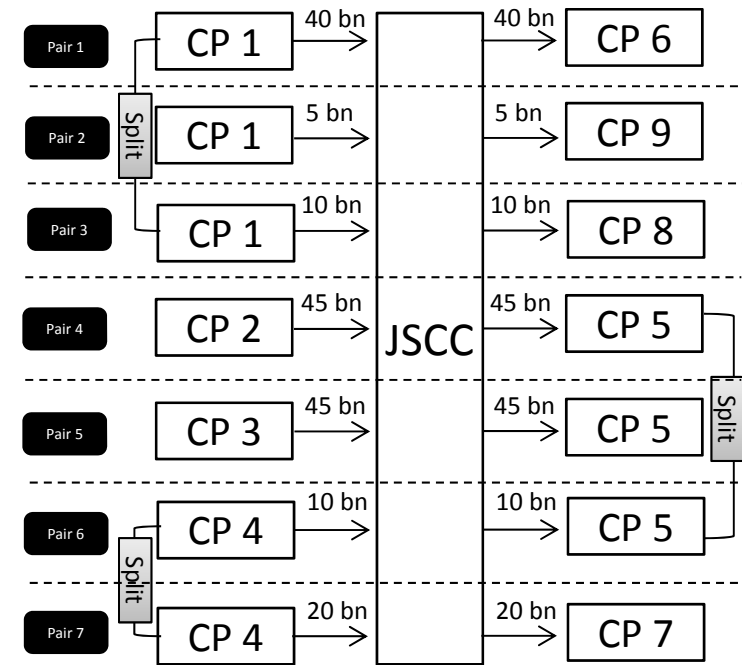
List deliverer and receiver in a random order.



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

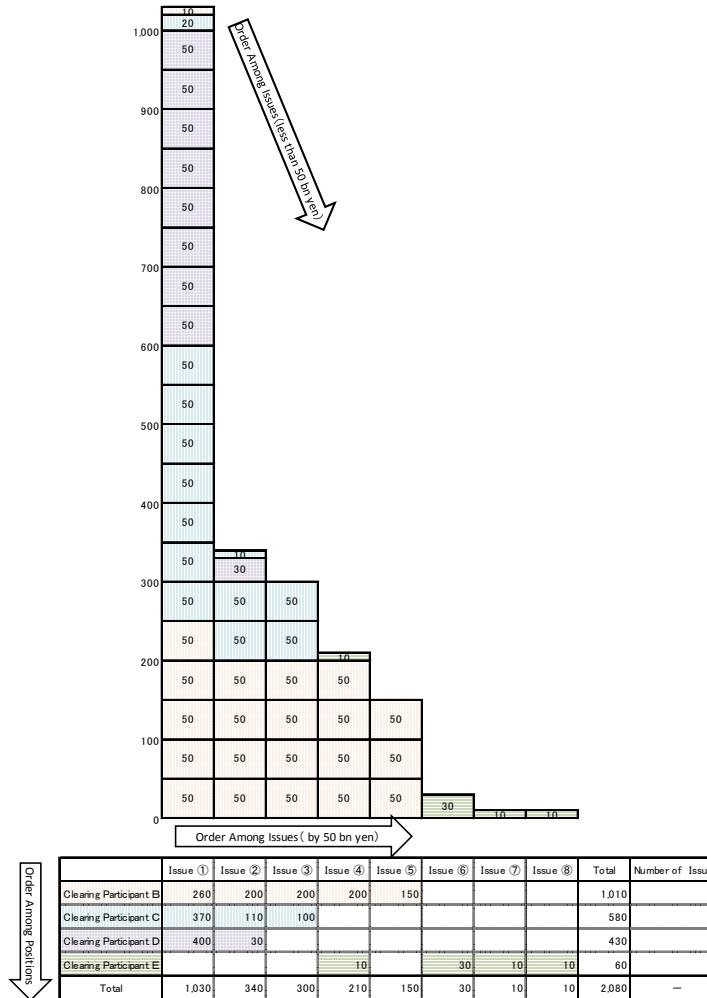
< Trade Details >

(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 ①	500	200		High	①	Allocate according to order among Issues
			150		②		
			100		③		
			50		④		
	JGB Basket ②	150	100		⑤		
			50		⑥		
Bank A ② (Account #: 111111110020)	JGB Basket ①	200	200		⑦		
	JGB Basket ②	150	100		⑧		
			50	Low	⑨		

\* Issues in “JGB Basket ① form a part of “JGB Basket ②.”

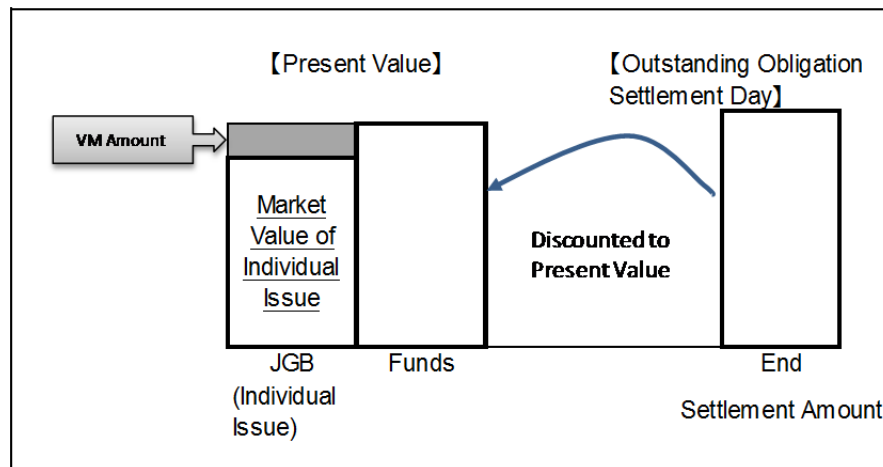


## Variation Margin Calculation Method related to Subsequent Collateral Allocation Repos

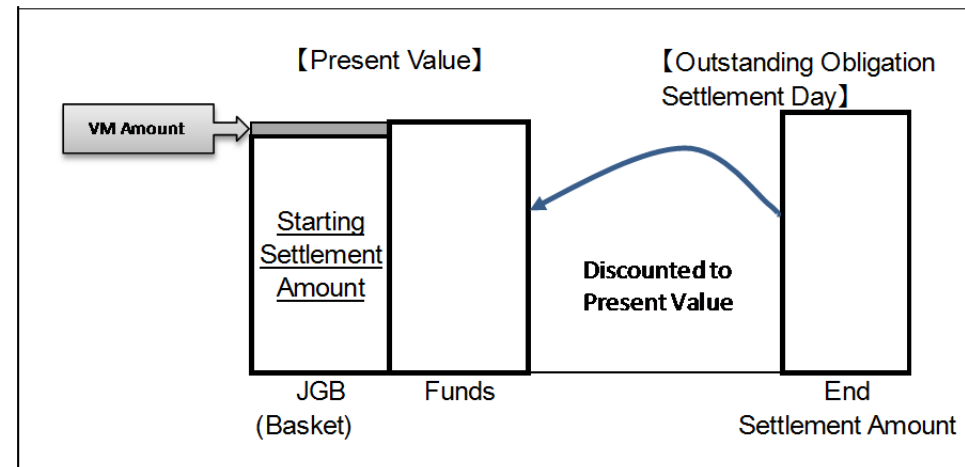
- With respect to the outstanding obligations as of and after the second business day following the calculation day, the difference between the market value of the obligations related to JGBs and the present value, as of standard delivery date for the calculation day, of obligations related to funds will be paid/received on each day (same as existing outright and standard repos).
- However, in Subsequent Collateral Allocation Repos, as collateral allocation has not been conducted on the outstanding obligations as of and after the second business day following the calculation day, 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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Revision of Initial Margin, etc. Associated with Shortening of Settlement Cycle

\* Underlined parts represent changes from current version.

	(Reference) Current Rules	After Revision	Remarks												
1. Type of Netting Accounts		<ul style="list-style-type: none"> <li><u>To enable calculation of Required Initial Margin Amount according to type of Transaction subject to Clearing, netting accounts will be classified into following 3 types, and Transactions subject to Clearing to be booked on each of such account types will be as specified below:</u> <ol style="list-style-type: none"> <li><u>Ordinary Account: All Transactions subject to Clearing;</u></li> <li><u>Repo Transactions Only Account: Cash-secured Bond Lending Transactions (other than those JSCC clears Ending Transactions only), Repo Transactions (other than those JSCC clears Ending Transactions only and Subsequent Collateral Allocation Repos) and Subsequent Collateral Allocation Repos; and</u></li> <li><u>Subsequent Collateral Allocation Repos Only Account: Subsequent Collateral Allocation Repos.</u></li> </ol> </li> <li><u>For netting accounts to be opened at JSCC, a Clearing Participant shall indicate the type of the netting account, namely, Ordinary Account, Repo Transactions Only Account or Subsequent Collateral Allocation Repos Only Account.</u></li> </ul>	<ul style="list-style-type: none"> <li>A clearing participant may create an Initial Margin Group only as a combination of netting accounts classified as same type.</li> </ul>												
2. Required Initial Margin Amount Calculation Timing and Deposit Deadline	<ul style="list-style-type: none"> <li>Calculation timing of Required Initial Margin Amount and deposit deadline shall be as follows: Calculation Timing: 6:30 P.M. Deposit Deadline: 11:00 A.M. next day</li> </ul>	<ul style="list-style-type: none"> <li>Calculation timing of Required Initial Margin Amount and deposit deadline shall be as follows:</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>1st</th> <th>2nd</th> <th>3rd</th> </tr> </thead> <tbody> <tr> <td>Calculation Timing</td> <td><u>7:00 A.M.</u></td> <td><u>11:00 A.M.</u></td> <td><u>2:00 P.M.</u></td> </tr> <tr> <td>Deposit Deadline</td> <td><u>10:00 A.M.</u></td> <td><u>2:00 P.M.</u></td> <td><u>5:00 P.M.</u></td> </tr> </tbody> </table>		1st	2nd	3rd	Calculation Timing	<u>7:00 A.M.</u>	<u>11:00 A.M.</u>	<u>2:00 P.M.</u>	Deposit Deadline	<u>10:00 A.M.</u>	<u>2:00 P.M.</u>	<u>5:00 P.M.</u>	<ul style="list-style-type: none"> <li>Required Initial Margin Amount will be updated 3 times a day.</li> <li>Initial Margin refund will also be made 3 times a day (to be made upon request of a Clearing Participant promptly after each Deposit Deadline).</li> </ul>
	1st	2nd	3rd												
Calculation Timing	<u>7:00 A.M.</u>	<u>11:00 A.M.</u>	<u>2:00 P.M.</u>												
Deposit Deadline	<u>10:00 A.M.</u>	<u>2:00 P.M.</u>	<u>5:00 P.M.</u>												
3. Required Initial Margin Amount	<ul style="list-style-type: none"> <li>Required Initial Margin Amount shall be the greater of the Required Initial Margin Base Amount and 100 million yen.</li> <li>Required Initial Margin Base Amount shall be the sum of each of the following required amounts: <ol style="list-style-type: none"> <li>Initial Margin Amount to Cover Market Price Fluctuation Risk;</li> <li>Initial Margin Amount to Cover Repo Rate Fluctuation Risk;</li> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk; and</li> <li>Required Amount of Market Impact Charge.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> <li>No change.</li> </ul>	<ul style="list-style-type: none"> <li>See 3. (1) to (4) for calculation method of each required amount.</li> </ul>												
(1) Initial Margin Amount to Cover Market Price	<ul style="list-style-type: none"> <li>Initial Margin Amount to Cover Market Price Fluctuation Risk shall be the largest of the following: <ol style="list-style-type: none"> <li>Market Price Fluctuation POMA <ul style="list-style-type: none"> <li>After calculating, for all issues, the amount for each</li> </ul> </li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Initial Margin Amount to Cover Market Price Fluctuation Risk <u>for 1st requirement calculation</u> shall be the largest of the following: <ol style="list-style-type: none"> <li>Market Price Fluctuation POMA <ul style="list-style-type: none"> <li>After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for</li> </ul> </li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Treatment of Market Price Fluctuation Risk Factor and offset remains unchanged.</li> <li>As to Subsequent Collateral Allocation</li> </ul>												

	(Reference) Current Rules	After Revision	Remarks
Fluctuation Risk	<p>issue obtained by multiplying the difference between the total quantity delivered and the total quantity received (hereinafter referred to as the “Net Quantity”) by such Clearing Participant for each issue in relation to the Transactions subject to Clearing that are Buying/Selling Transactions, Cash-secured Bond Lending Transactions and Repo Transactions (other than Subsequent Collateral Allocation Repos) (hereinafter referred to as the “Ordinary Transactions”), of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</p> <p>b. Market Price Fluctuation Adjusted POMA</p> <ul style="list-style-type: none"> <li>— After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the second day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</li> </ul> <p>c. Market Price Fluctuation Average POMA</p> <ul style="list-style-type: none"> <li>— The average of the top twenty (20) daily Market Price Fluctuation POMA during a period of past 120 days (excluding holidays) ending on the day immediately preceding the calculation day.</li> </ul> <p>d. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> <li>— The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations</li> </ul>	<p>such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</p> <p>b. Market Price Fluctuation Adjusted POMA</p> <ul style="list-style-type: none"> <li>— After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</li> </ul> <p>c. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> <li>— The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).</li> </ul> <p>• Initial Margin Amount to Cover Market Price Fluctuation Risk for <u>2nd requirement calculation</u> shall be the largest of the following:</p> <p>a. Market Price Fluctuation Adjusted POMA</p> <ul style="list-style-type: none"> <li>— After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</li> </ul> <p>b. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> <li>— The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next</u></li> </ul>	Repos, only those positions for which collateral allocation has been completed shall be covered.

	(Reference) Current Rules	After Revision	Remarks
	<p>have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).</p>	<p><u>day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).</p> <ul style="list-style-type: none"> <li>• Initial Margin Amount to Cover Market Price Fluctuation Risk <u>for 3rd requirement calculation</u> shall be the largest of the following: <ul style="list-style-type: none"> <li>a. Market Price Fluctuation Adjusted POMA <ul style="list-style-type: none"> <li>— After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</li> </ul> </li> <li>b. Market Price Fluctuation Average POMA <u>(not applicable to Repo Transactions Only Accounts and Subsequent Collateral Allocation Repos Only Accounts)</u> <ul style="list-style-type: none"> <li>— The average of the top twenty (20) daily <u>POMA for calculation of Market Price Fluctuation Average POMA</u> during a period of past 120 days (excluding holidays) ending on the day immediately preceding the calculation day. <u>For this purpose, POMA for calculation of Market Price Fluctuation Average POMA shall be the amount obtained as follows: After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have been assumed by a certain day and of which settlement day arrives on or after the next day following that day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day and of which settlement day arrives on or after the next day following that day, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</u></li> </ul> </li> <li>c. Lower Limit of Japanese Government Bonds Restructuring Cost <ul style="list-style-type: none"> <li>— The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).</li> </ul> </li> </ul> </li> </ul>	
(2) Initial Margin Amount to Cover Repo Rate	<ul style="list-style-type: none"> <li>• Initial Margin Amount to Cover Repo Rate Fluctuation Risk shall be the largest of the following: <ul style="list-style-type: none"> <li>a. Repo Rate Fluctuation POMA <ul style="list-style-type: none"> <li>— Absolute value of the total amount, for all issues and</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Initial Margin Amount to Cover Repo Rate Fluctuation Risk <u>for 1st requirement calculation</u> shall be the largest of the following: <ul style="list-style-type: none"> <li>a. Repo Rate Fluctuation POMA <ul style="list-style-type: none"> <li>— Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Treatment of Repo Rate Fluctuation Risk Factor remains unchanged.</li> <li>• As to Subsequent Collateral Allocation Repos, basket positions before collateral</li> </ul>

	(Reference) Current Rules	After Revision	Remarks
Fluctuation Risk	<p>all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the difference between the total quantity delivered and total quantity received (hereinafter referred to as the “Net Position”) of each issue and each settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365.</p> <p>b. Repo Rate Fluctuation Average POMA</p> <ul style="list-style-type: none"> <li>— Average of top 20 daily Repo Rate Fluctuation POMA during a period of past 120 days ending on the day immediately preceding the calculation day (excluding holidays).</li> </ul> <p>c. Lower Limit of Repo Rate Fluctuation Risk</p> <ul style="list-style-type: none"> <li>— Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations are assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1).</li> </ul>	<p>product of (x) the amount obtained by multiplying the market value (or the settlement amount for basket obligations; the same applies hereinafter) of the Net Position of each issue and each settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365.</p> <p>b. Lower Limit of Repo Rate Fluctuation Risk</p> <ul style="list-style-type: none"> <li>— Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations are assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1).</li> </ul> <p>• Initial Margin Amount to Cover Repo Rate Fluctuation Risk <u>for 2nd requirement calculation</u> shall be the largest of the following:</p> <p>a. Repo Rate Fluctuation POMA</p> <ul style="list-style-type: none"> <li>— Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365.</li> </ul> <p>b. Lower Limit of Repo Rate Fluctuation Risk</p> <ul style="list-style-type: none"> <li>— Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations are assumed by the day before the calculation day and of which settlement</u></li> </ul>	allocation shall also be covered.

	(Reference) Current Rules	After Revision	Remarks
		<p><u>day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1).</u></p> <ul style="list-style-type: none"> <li>• Initial Margin Amount to Cover Repo Rate Fluctuation Risk <u>for 3rd requirement calculation</u> shall be the largest of the following: <ul style="list-style-type: none"> <li>a. <u>Repo Rate Fluctuation Adjusted POMA</u> <ul style="list-style-type: none"> <li>— Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365.</u></li> </ul> </li> <li>b. <u>Repo Rate Fluctuation Average POMA (not applicable to Subsequent Collateral Allocation Only Accounts)</u> <ul style="list-style-type: none"> <li>— Average of top 20 daily <u>POMA for calculation of Repo Rate Fluctuation Average POMA</u> during a period of past 120 days ending on the day immediately preceding the calculation day (excluding holidays). <u>For this purpose, POMA for calculation of Repo Rate Fluctuation Average POMA shall be the absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations have been assumed by a certain day and of which settlement day arrives on or after the next day following that day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day and of which settlement day arrives on or after the next day following that day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365.</u></li> </ul> </li> <li>c. <u>Lower Limit of Repo Rate Fluctuation Risk</u> <ul style="list-style-type: none"> <li>— Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations are assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation</u></li> </ul> </li> </ul> </li> </ul>	

	(Reference) Current Rules	After Revision	Remarks
		<p><u>Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1).</u></p>	
(3) Initial Margin Amount to Cover FOS Settlement Failure Risk	<ul style="list-style-type: none"> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk shall be the average of top 20 days of daily FOS Settlement amounts for the relevant Clearing Participant during the period of past 120 days (excluding holidays) ending on the calculation day.</li> </ul>	<ul style="list-style-type: none"> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk <u>for 1st requirement calculation shall be the sum total of the following:</u> <ol style="list-style-type: none"> <li><u>The amount equivalent to the delivery adjustment amount payable in respect of the Subsequent Collateral Allocation Repos based on collateral allocation results at 7:00A.M. on the calculation day; and</u></li> <li><u>The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos based on the basket netting results at 7:00A.M. on the calculation day.</u></li> </ol> </li> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk <u>for 2nd requirement calculation shall be the sum total of the following:</u> <ol style="list-style-type: none"> <li><u>The amount equivalent to the delivery adjustment amount payable in respect of the Subsequent Collateral Allocation Repos based on collateral allocation results at 11:00A.M. on the calculation day; and</u></li> <li><u>The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos based on the basket netting results at 11:00A.M. on the calculation day.</u></li> </ol> </li> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk <u>for 3rd requirement calculation shall be the sum total of the following:</u> <ol style="list-style-type: none"> <li><u>The average of top 20 daily values of the sum of the amounts to be paid/received as Variation Margin for Ordinary Transactions and the amounts to be paid/received as the delivery adjustment amount for Ordinary Transactions on each day during the period of past 120 days (excluding holidays) ending on the calculation day (not applicable to Subsequent Collateral Allocation Repos Only Accounts).</u></li> <li><u>The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos based on the basket netting results at 2:00P.M. on the calculation day.</u></li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Current requirements calculation method which is based on past daily FOS Settlement amounts is changed to the one based on FOS Settlement amounts settled after calculation.</li> </ul>
(4) Required Amount of Market Impact Charge	<ul style="list-style-type: none"> <li>Required Amount of Market Impact Charge shall be the total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the basis point value (or 1 for floating-rate Japanese government bonds, the same applies hereinafter) and the criterial spread by issue.</li> </ul>	<ul style="list-style-type: none"> <li>Required Amount of Market Impact Charge <u>for 1st requirement calculation shall be the largest of the following:</u> <ol style="list-style-type: none"> <li>Amount Equivalent to Transaction Execution Costs <ul style="list-style-type: none"> <li>The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day, by the basis point value and the criterial spread by issue.</u></li> </ul> </li> <li><u>Amount Equivalent to Adjusted Transaction Execution Costs</u></li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Treatment of basis point spread value and criterial spread by issue remains unchanged.</li> </ul>

	(Reference) Current Rules	After Revision	Remarks
		<p>— <u>The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the basis point value and the criterial spread by issue.</u></p> <ul style="list-style-type: none"> <li>• Required Amount of Market Impact Charge <u>for 2nd requirement calculation</u> shall be the following: <ul style="list-style-type: none"> <li>a. <u>Amount Equivalent to Adjusted Transaction Execution Costs</u> <ul style="list-style-type: none"> <li>— <u>The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the basis point value and the criterial spread by issue.</u></li> </ul> </li> </ul> </li> <li>• Required Amount of Market Impact Charge <u>for 3rd requirement calculation</u> shall be the largest of the following: <ul style="list-style-type: none"> <li>a. <u>Amount Equivalent to Adjusted Transaction Execution Costs</u> <ul style="list-style-type: none"> <li>— <u>The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the basis point value and the criterial spread by issue.</u></li> </ul> </li> <li>b. <u>Amount Equivalent to Average Transaction Execution Costs (not applicable to the Repo Only Accounts and Subsequent Collateral Allocation Repo Only Accounts)</u> <ul style="list-style-type: none"> <li>— <u>Average of top 20 daily values of the amount equivalent to the transaction execution costs for calculation of the amount equivalent to average transaction execution costs for each day during the period of past 120 days (excluding holidays) ending on the day before the calculation day. For this purpose, the amount equivalent to the transaction execution costs for calculation of the amount equivalent to average transaction execution costs shall be the total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by a certain day and of which settlement day arrives on or after the next day following that day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day and of which settlement day arrives on or after the next day following that day, by the basis point value and the criterial spread by issue.</u></li> </ul> </li> </ul> </li> </ul>	
(5)	Increase of • If JSCC considers it necessary in light of the	• If JSCC considers it necessary in light of the creditworthiness of a Clearing Participant, JSCC may increase the	• Specific level of Initial Margin



	(Reference) Current Rules	After Revision	Remarks																					
Required Initial Margin Amount according to Credit-worthiness	creditworthiness of a Clearing Participant, JSCC may increase the Required Initial Margin Amount by the predetermined percentage.	<p>Required Initial Margin Amount <u>by the greater of the predetermined percentage of the Required Initial Margin Amount and the predetermined percentage of the expected loss amount related to fail charge and funding costs.</u></p> <ul style="list-style-type: none"> <li><u>The expected loss amount related to fail charge and funding costs shall be the total amount of (x) the amount equivalent to the fail charge expected to arise on an assumption of fail related to all delivering positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day occurring for the period of such consecutive 3 business days and (y) the amount equivalent to costs for the obligated fund provision expected to arise on an assumption of carrying out the obligated fund provision for liquidation of all receiving positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day.</u></li> </ul>	<p>increase according to the creditworthiness of Clearing Participant is as specified in Appendix.</p> <ul style="list-style-type: none"> <li>Coverage of fail charge will be revisited after separate review of the treatment of fail charge upon Clearing Participant default.</li> </ul>																					
(6) Intraday Initial Margin	<ul style="list-style-type: none"> <li>The Intraday Initial Margin shall be called when the difference between the contract price as of the close of the morning session and that as of the close of afternoon session on the previous day of the long-term JGB Futures (central contract month transaction) exceeds the trigger level.</li> <li>Trigger level, deposit deadline and Required Intraday Initial Margin Amount shall be as follows:</li> </ul> <table border="1" data-bbox="379 1094 1092 1932"> <thead> <tr> <th>Trigger Level</th> <th>Deposit Deadline</th> <th>Required Intraday Initial Margin Amount</th> </tr> </thead> <tbody> <tr> <td>Value obtained by rounding the set value of the market price fluctuation risk factor (interest-bearing 7-10 year zone) to the nearest 2 decimal places and truncated at each unit of 0.05.</td> <td rowspan="2">3:30P.M.</td> <td>Required Initial Margin Base Amount calculated on the day before the date of call multiplied by 1.3</td> </tr> <tr> <td>Value obtained by multiplying the above value by 1.3 and truncating the resultant value at each unit of 0.05</td> <td>Required Initial Margin Base Amount calculated on the day before the date of call multiplied by 1.6</td> </tr> </tbody> </table>	Trigger Level	Deposit Deadline	Required Intraday Initial Margin Amount	Value obtained by rounding the set value of the market price fluctuation risk factor (interest-bearing 7-10 year zone) to the nearest 2 decimal places and truncated at each unit of 0.05.	3:30P.M.	Required Initial Margin Base Amount calculated on the day before the date of call multiplied by 1.3	Value obtained by multiplying the above value by 1.3 and truncating the resultant value at each unit of 0.05	Required Initial Margin Base Amount calculated on the day before the date of call multiplied by 1.6	<ul style="list-style-type: none"> <li>No change.</li> <li>Trigger level, deposit deadline and Required Intraday Initial Margin Amount shall be as follows:</li> </ul> <table border="1" data-bbox="1308 1094 2169 1776"> <thead> <tr> <th>Trigger Level</th> <th>Deposit Deadline</th> <th>Required Intraday Initial Margin Amount</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Value obtained by rounding the set value of the market price fluctuation risk factor (interest-bearing 7-10 year zone) to the nearest 2 decimal places and truncated at each unit of 0.05.</td> <td><u>2:00P.M.</u></td> <td><u>2nd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.3</u></td> </tr> <tr> <td><u>5:00P.M.</u></td> <td><u>3rd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.3</u></td> </tr> <tr> <td rowspan="2">Value obtained by multiplying the above value by 1.3 and truncating the resultant value at each unit of 0.05</td> <td><u>2:00P.M</u></td> <td><u>2nd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.6</u></td> </tr> <tr> <td><u>5:00P.M.</u></td> <td><u>3rd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.6</u></td> </tr> </tbody> </table>	Trigger Level	Deposit Deadline	Required Intraday Initial Margin Amount	Value obtained by rounding the set value of the market price fluctuation risk factor (interest-bearing 7-10 year zone) to the nearest 2 decimal places and truncated at each unit of 0.05.	<u>2:00P.M.</u>	<u>2nd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.3</u>	<u>5:00P.M.</u>	<u>3rd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.3</u>	Value obtained by multiplying the above value by 1.3 and truncating the resultant value at each unit of 0.05	<u>2:00P.M</u>	<u>2nd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.6</u>	<u>5:00P.M.</u>	<u>3rd Required Initial Margin Base Amount calculated on the date of call multiplied by 1.6</u>	
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	(Reference) Current Rules	After Revision	Remarks
4. Required Clearing Fund Amount	<ul style="list-style-type: none"> <li>Greater of the Required Clearing Fund Base Amount and 100 million yen.</li> <li>The Required Clearing Fund Base Amount shall be the sum total of risk amount exceeding collateral for 2 Clearing Participants whose risk amount exceeding collateral are the largest and the second largest as of the Clearing Fund Calculation Date prorated according to the Required Initial Margin Amount for each Clearing Participant as of the said Calculation Date.</li> <li>The risk amount exceeding collateral shall be the difference of the amount equivalent to stressed risk set forth in 4.(2) and the Required Initial Margin Amount on the day before the Clearing Fund Calculation Date.</li> </ul>	<ul style="list-style-type: none"> <li>No change.</li> <li>The Required Clearing Fund Base Amount shall be the sum total of risk amount exceeding collateral for 2 Clearing Participants whose risk amount exceeding collateral are the largest and the second largest as of the Clearing Fund Calculation Date prorated according to the Required Initial Margin Amount <u>calculated at 1st requirement calculation</u> for each Clearing Participant as of the said Calculation Date.</li> <li>No change.</li> </ul>	
(1) Calculation Timing and Deposit Cutoff Time	<ul style="list-style-type: none"> <li>Calculation timing and deposit deadline of the Required Clearing Fund Amount shall be as follows: Calculation Timing : 6:30P.M. Deposit Cutoff Time: 11:00A.M. next day</li> </ul>	<ul style="list-style-type: none"> <li>Calculation timing and deposit deadline of the Required Clearing Fund Amount shall be as follows: Calculation Timing : 6:30P.M. Deposit Cutoff Time: <u>10:00A.M. next day</u></li> </ul>	<ul style="list-style-type: none"> <li>Treatment in association with the change of deposit deadline of Initial Margin.</li> </ul>
(2) Amount Equivalent to Stressed Risk	<ul style="list-style-type: none"> <li>The amount equivalent to stressed risk shall be the largest loss expected in 12 stress scenarios generated as combinations of factors, such as the primary component of yield curve fluctuations extracted from historical yield curve fluctuation data through the principal component analysis method and the historical largest market fluctuation.</li> </ul>	<ul style="list-style-type: none"> <li>The amount equivalent to stressed risk shall be <u>the sum of (x) the largest loss expected in 12 stress scenarios generated as combinations of factors, such as the primary component of yield curve fluctuations extracted from historical yield curve fluctuation data through the principal component analysis method and the historical largest market fluctuation and (y) the expected loss amount related to fail charge and funding costs.</u></li> </ul>	<ul style="list-style-type: none"> <li>Coverage of fail charge will be revisited after separate review of the treatment of fail charge upon Clearing Participant default.</li> </ul>
5. Other			
(1) FOS Settlement	<ul style="list-style-type: none"> <li>With respect to the FOS Settlement currently in effect, the paying Clearing Participant shall pay the money to JSCC by 10:00A.M. and the receiving Clearing Participant shall receive the money from JSCC after 11:00 A.M.</li> </ul>	<ul style="list-style-type: none"> <li>With respect to the FOS Settlement currently in effect, the paying Clearing Participant shall pay the money to JSCC by 10:00A.M. and the receiving Clearing Participant shall receive the money from JSCC after <u>10:30 A.M.</u></li> </ul>	<ul style="list-style-type: none"> <li>Treatment in association with the change of deposit deadline of Initial Margin and Clearing Fund.</li> </ul>

End of Document

## Specific Level of Initial Margin Increase according to Creditworthiness

\* Underlined parts represent changes from current version.

Trigger Level for Initial Margin Increase	Specific Increase Amount
○ If creditworthiness of Clearing Participant is judged below A- or equivalent rating by all rating agencies (*1, 2) (*3)	<u>Greater of 10% of Required Initial Margin Amount and 10 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB+ or equivalent rating by all rating agencies (*1, 2) (*3)	<u>Greater of 50% of Required Initial Margin Amount and 50 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB or equivalent rating by all rating agencies (*1, 2) (*3)	<u>Greater of 100% of Required Initial Margin Amount and 100 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below A- or equivalent rating by any of the rating agencies (*1, 2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio, 10% for capital adequacy ratio when the international standards are applied, 5% for capital adequacy ratio when the domestic standards are applied, and 500% for solvency margin ratio). (*3, 4, 5)	<u>Greater of 10% of Required Initial Margin Amount and 10 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB+ or equivalent rating by any of the rating agencies (*1, 2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio, 10% for capital adequacy ratio when the international standards are applied, 5% for capital adequacy ratio when the domestic standards are applied, and 500% for solvency margin ratio). (*3, 4, 5)	<u>Greater of 50% of Required Initial Margin Amount and 50 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB or equivalent rating by any of the rating agencies (*1, 2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio, 10% for capital adequacy ratio when the international standards are applied, 5% for capital adequacy ratio when the domestic standards are applied, and 500% for solvency margin ratio). (*3, 4, 5)	<u>Greater of 100% of Required Initial Margin Amount and 100 % of expected loss related to fail charge and funding costs</u> (*6, 7)

(\*1) In case no rating is obtained by the target clearing participant, rating of their parent company, etc. will be used. (In case rating is obtained neither by the target participant nor by their parent company, etc., rating of an entity in their group, etc. will be used instead.) In such a case, stipulation for an entity of one-notch higher rating will be applied to them.

(\*2) Rating used herewith represents the rating concerning the debt service capacity for long-term debt, given by any of the “credit rating agencies” as stipulated by the Financial Instruments & Exchange Act (specifically per Article 2-36 of the Act: They are currently represented by such entities as Japan Credit Rating Agency, Moody’s Japan, Moody’s SF Japan, Standard & Poor’s Rating Services Japan [SPJ], Rating & Investment Information, Fitch Ratings Japan, Nippon Standard & Poor’s [NSP]) or by any of its specified affiliated companies (per Article 116-3-2 of the Cabinet Ordinance concerning Financial Instruments Business, etc.) (but not including any of the so-called non-solicited arbitrary ratings).

(\*3) In each individual case, credit judgment shall be made in a comprehensive manner, not merely based on the rating criteria, but also comparing the market information of the target clearing participant (CB spread, CDS spread, stock price, etc.) with that of a company of the same rating level, as well as taking into account such other information as whether there has not been any abrupt change lately, whether there has not been any significant decline in important financial parameters (liquidity at hand, etc.), any peculiar change in position of the said participant, and so forth.

(\*4) When a securities finance company or a tanshi company (money market broker) faces a similar situation, same measure shall be taken for them too.

(\*5) In case of a special financial instruments business operator, their credit standing shall be judged by capital-to-risk ratio or by consolidated capital-to-risk ratio.

(\*6) The expected loss amount related to fail charge and funding costs shall be the total amount of (x) the amount equivalent to the fail charge expected to arise on an assumption of fail related to all delivering positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day occurring for the period of such consecutive 3 business days and (y) the amount equivalent to costs for the obligated fund provision expected to arise on an assumption of carrying out the obligated fund provision for liquidation of all receiving positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day.

(\*7) Actual amount of increase shall be determined by referencing the financial condition (liquidity at hand, etc.) and the position data or so of the target participant, but not exceeds the amount specified.

## Fee Structure after Shortening of Settlement Period

	(Reference) Current Fees	Fees after Shortening of Settlement Period	Remarks																																																														
1. Account Management Fee	1. For each netting account: 500,000 yen per month * If a Clearing Participant opens multiple netting accounts, it shall be 200,000 yen per month from second account.	1. For each netting account: 1,800,000 yen per month * If a Clearing Participant opens multiple netting accounts, it shall be 100,000 yen per month from second account.																																																															
2. Obligation Assumption Fee	<p>(1) Buying and Selling of Japanese Government Bonds</p> <p>The amount of money to be paid/received on the buying/selling settlement day (referred to as “Assumption of Obligation Amount”) multiplied by the rate specified in either A) or B) below according to the type of JGBs as specified therein:</p> <table border="1"> <thead> <tr> <th></th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>A) Treasury discount bills</td> <td>0.0005/10,000</td> </tr> <tr> <td>B) Japanese government bonds other than those specified in A) above</td> <td>0.002/10,000</td> </tr> </tbody> </table> <p>(2) Cash-secured Bond Lending Transactions / Repo Transactions</p> <p>The amount of money to be paid/received for Ending Transaction (referred to as “Assumption of Obligation Amount”) multiplied by the rate specified in either A) or B) below according to the type of transaction as specified therein:</p> <table border="1"> <thead> <tr> <th></th> <th>Rate</th> </tr> </thead> <tbody> <tr> 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	More than 2tril yen up to 4tril yen per month	0.002/10,000																																																															
	More than 4tril yen up to 7tril yen per month	0.0015/10,000																																																															
	More than 7tril yen per month	0.0006/10,000																																																															
	Assumption of Obligation Amount	Rate																																																															
A) Overnight transactions	Up to 20tril yen per month	0.0003/10,000																																																															
	More than 20tril yen up to 30tril yen per month	0.00018/10,000																																																															
	More than 30tril yen up to 50tril yen per month	0.00009/10,000																																																															
	More than 50tril yen up to 100tril yen per month	0.00006/10,000																																																															
	More than 100tril yen per month	0.00003/10,000																																																															
B) Transactions other than those specified in A) above	Up to 1.5tril yen per month	0.003/10,000																																																															
	More than 1.5tril yen up to 2.5tril yen per month	0.0018/10,000																																																															
	More than 2.5tril yen up to 5tril yen per month	0.0009/10,000																																																															
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	More than 10tril yen per month	0.0003/10,000																																																															

	(Reference) Current Fees	Fees after Shortening of Settlement Period	Remarks												
		* For overnight transactions, it shall be the amount obtained by multiplying the Assumption of Obligation Amount by the number of days within the lending period or transaction period, as applicable.													
3. Collateral Allocation Fee		<p>(1) Collateral Allocation Fee for each Collateral Allocation</p> <p>The amount of money<sup>*1</sup> to be paid/received in relation to Starting/Rewind Obligation<sup>*2</sup> subject to collateral allocation multiplied by following rate:</p> <table border="1"> <thead> <tr> <th>Amount of Money to be paid/received in relation to Starting/Rewind Obligation</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Up to 500bil yen per month</td> <td>0.0036/10,000</td> </tr> <tr> <td>More than 500bil yen up to 2.5tril yen per month</td> <td>0.0032/10,000</td> </tr> <tr> <td>More than 2.5tril yen up to 10tril yen per month</td> <td>0.0028/10,000</td> </tr> <tr> <td>More than 10tril yen up to 15tril yen per month</td> <td>0.0018/10,000</td> </tr> <tr> <td>More than 15tril yen per month</td> <td>0.0005/10,000</td> </tr> </tbody> </table> <p><sup>*1</sup> Applicable only to Clearing Participants who will become JGB deliverers as a result of the basket netting.  <sup>*2</sup> Includes the obligations deferred from previous collateral allocation.</p> <p>(2) Excess Allocation Fee</p> <p>An amount equal to the product of (i) number of cases where the collateral allocation outside of scope of allocable quantity has been conducted due to shortage of allocable quantity in the 3rd allocation, and (ii) 50,000 yen.</p>	Amount of Money to be paid/received in relation to Starting/Rewind Obligation	Rate	Up to 500bil yen per month	0.0036/10,000	More than 500bil yen up to 2.5tril yen per month	0.0032/10,000	More than 2.5tril yen up to 10tril yen per month	0.0028/10,000	More than 10tril yen up to 15tril yen per month	0.0018/10,000	More than 15tril yen per month	0.0005/10,000	<ul style="list-style-type: none"> <li>New fee item adopted in association with introduction of Subsequent Collateral Allocation Repos</li> <li>JSCC will not charge the fee described in (2) for the time being. Necessity and fee level will be revisited at a certain point in time (approx. 6 months) after introduction of Subsequent Collateral Allocation Repos.</li> </ul>
Amount of Money to be paid/received in relation to Starting/Rewind Obligation	Rate														
Up to 500bil yen per month	0.0036/10,000														
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More than 15tril yen per month	0.0005/10,000														
4. Balance Management Fee	<p>Balance management fee on each settlement day, etc.</p> <p>= Total amount of Money Settlement Obligations* between each Clearing Participant and JSCC with the same settlement day, etc.</p> <p>× Number of days to the day immediately preceding the next business day ÷ 365 × 0.09/10,000</p> <p>* The Money Settlement Obligations shall be limited to those relating to Transactions Subject to Clearing whose settlement day, etc. arrives on or after the second (2nd) day from the calculation day.</p>	<p>Balance management fee</p> <p>= Monthly total of amount subject to fee calculation on settlement day<sup>*1</sup> × Rate specified below.</p> <p><sup>*1</sup> The amount subject to fee calculation on settlement day = Total amount of Money Settlement Obligations<sup>*2</sup> between each Clearing Participant and JSCC with the same settlement day, etc.</p> <p>× Number of days to the day immediately preceding the next business day ÷ 365</p> <p><sup>*2</sup> The Money Settlement Obligations shall be limited to those relating to Transactions Subject to Clearing whose settlement day, etc. arrives on or after the second (2nd) day from the calculation day.</p> <table border="1"> <thead> <tr> <th>Amount subject to Fee Calculation</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>Up to 200bil yen per month</td> <td>0.033/10,000</td> </tr> <tr> <td>More than 200bil yen up to 300bil yen per month</td> <td>0.031/10,000</td> </tr> <tr> <td>More than 300bil yen per month</td> <td>0.029/10,000</td> </tr> </tbody> </table>	Amount subject to Fee Calculation	Rate	Up to 200bil yen per month	0.033/10,000	More than 200bil yen up to 300bil yen per month	0.031/10,000	More than 300bil yen per month	0.029/10,000					
Amount subject to Fee Calculation	Rate														
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5. Settlement Day Management Fee	<p>Settlement day management fee on each settlement day, etc. (settlement day for buying/selling transaction and Ending</p>	<p>Settlement day management fee on each settlement day, etc. (settlement day for buying/selling transaction and Ending Transaction delivery day)</p>	<ul style="list-style-type: none"> <li>Underlined part is a change associated with the change of Regular Transfer</li> </ul>												

	(Reference) Current Fees	Fees after Shortening of Settlement Period	Remarks				
	<p>Transaction delivery day)            = Total transaction amount<sup>*1</sup> of Transactions Subject to Clearing relating to obligations with the same settlement day, etc. assumed each day from each Clearing Participant × Number of excess days to settlement day, etc.<sup>*2</sup>÷365×0.015/10,000</p> <p>*1 Buying/selling amount for buying/selling transactions, and amount of money to be paid/received for Ending Transaction for Cash-secured Bond Lending Transactions and Repo Transactions.            *2 The number of days from the day immediately following the third (3rd) day from the calculation day to the settlement day, etc.</p>	<p>=Total transaction amount<sup>*1</sup> of Transactions Subject to Clearing relating to obligations with the same settlement day, etc. assumed each day from each Clearing Participant × Number of excess days to settlement day, etc.<sup>*2</sup>÷365×0.015/10,000</p> <p>*1 Buying/selling amount for buying/selling transactions, and amount of money to be paid/received for Ending Transaction for Cash-secured Bond Lending Transactions and Repo Transactions.            *2 The number of days from the day immediately following the <u>second (2nd) day</u> from the calculation day to the settlement day, etc.</p>	Day due to shortening of settlement cycle.				
6. DVP Settlement Fee	200 yen per book-entry transfer of Japanese government bonds involving DVP Settlement	150 yen per book-entry transfer of Japanese government bonds involving DVP Settlement					
7. Collateral Management Fee	200 yen per account transfer for refund of Initial Margin or Clearing Fund	200 yen per account transfer for refund of Initial Margin or Clearing Fund					
8. Web Terminal Usage Fee	10,000 yen per User ID per month	10,000 yen per User ID per month					
9. Certificate Issuance Fee	3,000 yen per copy of Initial Margin balance certificate, etc.	3,000 yen per copy of Initial Margin balance certificate, etc.					
10. Maximum Amount of Fees	<table border="1"> <tr> <td>(1) Principal Clearing Participant</td> <td>5mil yen per month</td> </tr> <tr> <td>(2) Agency Clearing Participant</td> <td>5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.</td> </tr> </table>	(1) Principal Clearing Participant	5mil yen per month	(2) Agency Clearing Participant	5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.	(Abolished)	
(1) Principal Clearing Participant	5mil yen per month						
(2) Agency Clearing Participant	5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.						

End of Document

## 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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【Time Schedule】

	Day S-1				Day S													
Time	21:00	7:00	8:00	9:00	10:00	10:30	11:00	12:00	13:00	13:30	14:00	15:00	15:30	16:00	16:30	17:00	21:00	
Event		Start JASDEC system —JSCC System Connection (7:00)																
Subsequent Collateral Allocation Repos Event		[1st] Clearing (Collateral Allocation) Application Cutoff (21:00 on Day S-1)																
1st Collateral Allocation																		
2nd Collateral Allocation																		
3rd Collateral Allocation																		
Allocable Balance Notice Submission/Update																		
Schedule of Initial Margin (IM) deposit.																		

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