

Outline of Compression for Credit Default Swaps

April 7, 2015

Japan Securities Clearing Corporation

I. Purpose

JSCC will introduce Compression for CDS contracts to provide a means of collectively eliminating cleared CDS contracts (“Cleared Contract”).

II. Overview

Item	Description	Remarks
1. Requirements for Contracts to be Compressed	<ul style="list-style-type: none"> • If both parties to the original trade of a cleared contract apply for Compression, a Cleared Contract in which one party is the seller and a Cleared Contract in which the other party is the buyer (“Contract to be Compressed”) will be terminated together if the Cleared Contracts are identical with respect to all of the following matching requirements: <li style="margin-left: 20px;">✓ Series (limited to Index CDS) <li style="margin-left: 20px;">✓ Reference entity (limited to Single-Name CDS) <li style="margin-left: 20px;">✓ Fixed rate <li style="margin-left: 20px;">✓ Scheduled date of termination <li style="margin-left: 20px;">✓ Both parties to the original trade 	<ul style="list-style-type: none"> • Any application for Compression of a Customer’s Cleared Contract shall be filed by a Customer. • Issues eligible for Compression will be determined by JSCC each time and prior notification will be given to the relevant applicant • A sample process flow can be found in Annex.
2. Acceptance of a new contract for clearing of Compression	<ul style="list-style-type: none"> • If any two Cleared Contracts to be Compressed that are identical with respect to all applicable matching requirements contain an oversold or overbought position, a new contract with a notional amount equivalent to the oversold amount or overbought amount shall be accepted for clearing. 	<ul style="list-style-type: none"> • Any matters relating to such matching requirements as have been applied to the Contract to be Compressed will be transferred into the new CDS contract to be cleared.

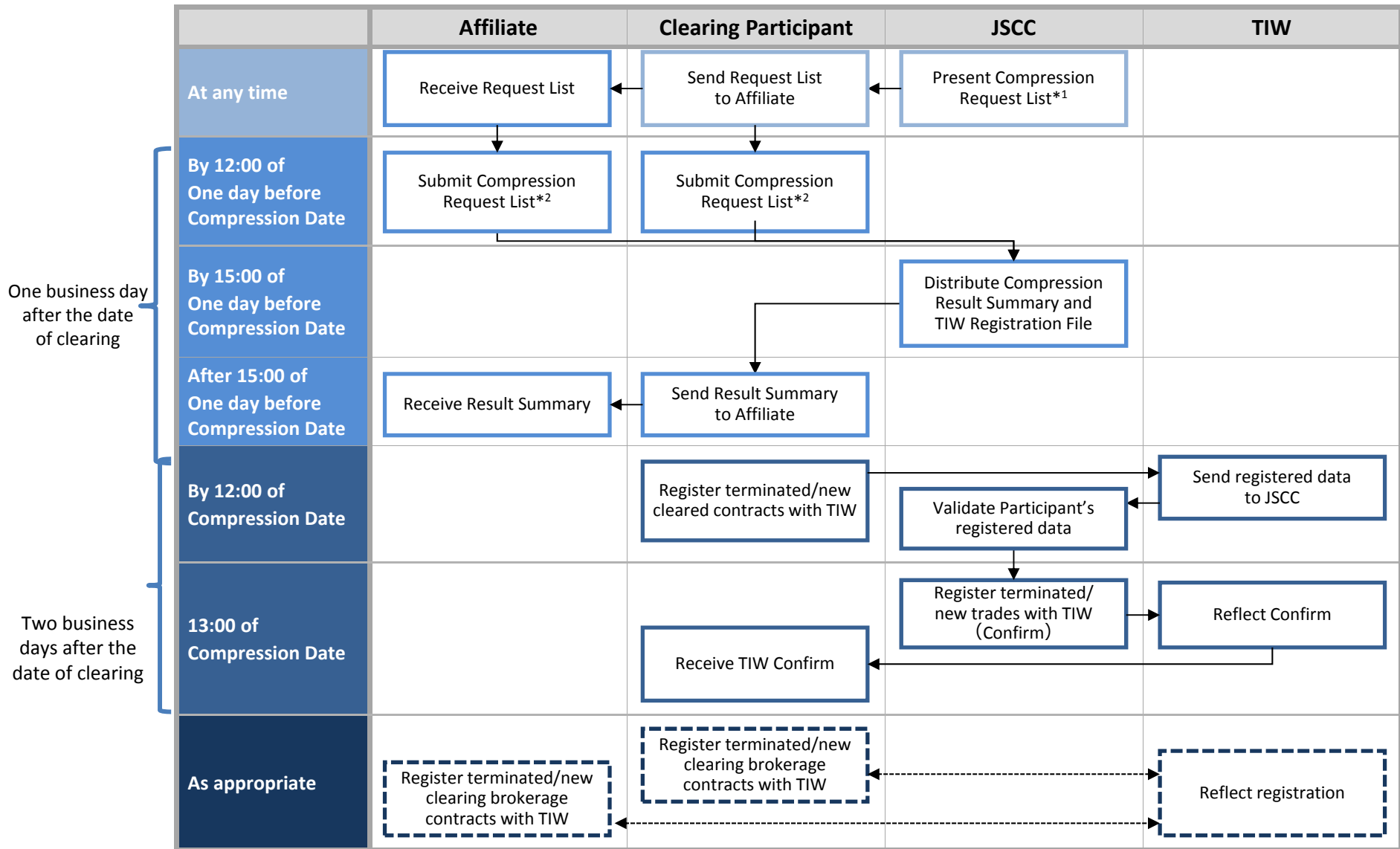
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Item	Description	Remarks
3. Date of Compression	<ul style="list-style-type: none"> The date of Compression will be determined by JSCC each time and prior notification will be given to the relevant applicant. 	<ul style="list-style-type: none"> The date of Compression shall be two business days after the date of clearing in principle. Compression shall be conducted once a month in principle and the frequency may be increased or reduced according to the demand.
4. Date of enforcement	<ul style="list-style-type: none"> Around June 2015. (Effective date requires permission from the Commissioner of the Financial Services Agency.) 	

End of Document

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Compression Process Flow



*¹The Request List will be updated on the date of clearing (or the previous business day if the date of clearing is immediately before the date of Compression) to reflect trades to be cleared.

*²This is mandatory only if the previously submitted list is to be revised.