



# JSCC ANNUAL REPORT 2013



*Japan Securities Clearing Corporation*



In January 2003, Japan Securities Clearing Corporation (JSCC) was licensed as the first clearing house in Japan to conduct the Securities Obligation Assumption Service (current Financial Instruments Obligation Assumption Service) and commenced the clearing services for the transactions executed on stock exchanges.

The birth of JSCC led to dramatic improvements in the efficiency and serviceability of the securities market by consolidating the clearing services that used to be performed separately by individual stock exchanges.

Recently, JSCC has been extensively expanded its clearing services, starting with the launch of CDS (Credit Default Swap) clearing in July 2011, as well as the launch of IRS (Interest Rate Swap) clearing in October 2012. In February, 2013, the scope of eligible IRS clearing was further expanded. Also, in July 2013, we commenced the clearing for Osaka Stock Exchange-listed derivatives transactions. Subsequent to the merger with JGBCC (Japan Government Bond Clearing Corporation) in October 2013, JSCC started OTC JGB clearing, making the range of its clearing services even wider.

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## ❖ Corporate Philosophy

**We endeavor to enhance the competitiveness of Japanese financial and capital markets by improving the efficiency, serviceability and safety in post-trade processing infrastructure of financial instruments transactions.**

Against the backdrop of the financial crisis, regulatory reforms in clearing industry were pursued on a global basis and more emphasis is being placed on the roles to be performed by CCPs. Under its corporate philosophy, JSCC is committed to perform the responsibility of a clearing and settlement infrastructure and steadfastly fulfill its role as such in the financial and capital market.

## ❖ History



# Message from the President & CEO

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We at JSCC shall do our utmost to continue to contribute to the growth of financial and capital markets, examining how we might expand our existing exchange-traded and OTC derivatives clearing services.

We greatly appreciate your continued support for our endeavours.

October 2013

Hironaga Miyama

President & CEO

深山浩永

## ✚ Activities and Achievements in Fiscal Year 2012

JSCC has been working on the following missions in order to contribute to enhancing the international competitiveness of Japanese financial and capital markets through the improvement of efficiency, serviceability and safety of financial instruments transactions.

### Extensive Clearing Services

JSCC commenced Yen LIBOR-based IRS clearing in October 2012, where we had 21 major players, both domestic and international, in the IRS market as the clearing participants. Then, the scope of clearing was expanded to include Yen TIBOR-based IRS transactions in February 2013.

Currently, open interest of cleared IRS significantly increased to ¥ 407 trillion as of end-August 2013.

### Steady Reinforcement of the Risk Management

In order to better comply with the FMI Principles (Principles for Financial Market Infrastructures) issued by CPSS-IOSCO, intraday margin system for cash transactions was employed in December 2012.

In addition, we introduced a mechanism for increasing initial margin on OTC IRS to reflect market as well as the improved clearing fund calculation scheme for the listed derivatives which is stress-based.

### Strengthening of the System Functionality

For the targeted upgrade of the clearing system scheduled for January 2014, we steadily pursued the development processes. Also, in relation to the clearing system for OTC derivatives, a project was pursued to include IRS transactions in the scope of the system, and the planned operation was commenced as scheduled.

### Response to the integration ( Osaka Securities Exchange and JGBCC )

Regarding the integration of clearing function for the listed derivatives transactions executed on Osaka Securities Exchange, we carefully pursued necessary preparation and was completed in July 2013.

Also, concerning the merger between JSCC and JGBCC (Japan Government Bond Clearing Corporation), we started a mutual discussion in March 2013, and the intended merger was realized in October 2013.

## ✚ Future Outlook and Issues

In order to strengthen the business foundation to beat the global competition, JSCC will perform specific action plans based on the following three pillars of our corporate policy.

### Further Reinforcement of Business Management Base

We will undertake further reinforcement on our core management and governance in order to reflect the new domestic regulatory framework base on the FMI principles and Basel III, combined with direct regulation and supervision by overseas regulatory authorities, along with the enhancement of risk management such as real-time risk calculation and monitoring of risk across markets and products.

### Further Expansion of Clearing Services

OTC derivatives clearing will continue to be expanded by way of introducing range of services including the client clearing for IRS transactions. Also, for the purpose of facilitating overseas participants to use our services, we will continue with our efforts to apply for DCO (Derivatives Clearing Organization) registration with CFTC under US Commodity Exchange Act, and to become a "recognised third country CCP" under EMIR (European Market Infrastructure Regulation). In order to improve the efficiency of collateral usage, we are considering the introduction of cross-margining of Yen IRS with other products.

### Enhancement of Foundation in IT System

We shall continue to improve our IT and systems infrastructure through the clearing system upgrade and addition of client clearing functionality to the IRS clearing system. JSCC's IT development, operational structure and capacity controls and processing capability will continue to be improved to ensure continued reliability and processing capacity, in light of the expansions to the scope of the clearing services and enhancements to risk management.

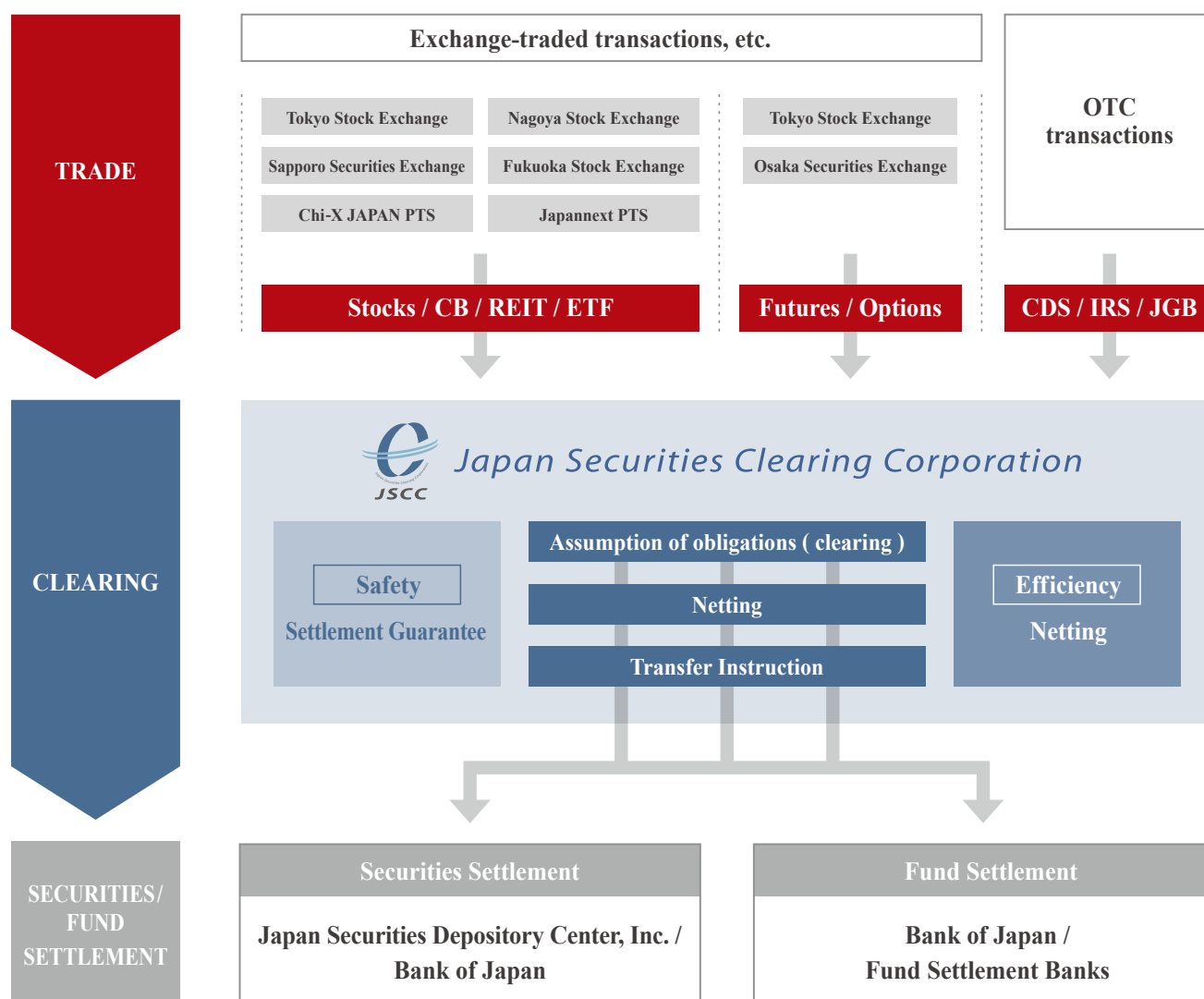


# Expanding Roles of Clearing House

Following the default of Lehman Brothers various measures were introduced to address the crisis in order to stabilize the global financial system; the statement following the G20 Pittsburgh Summit committing to mandate the clearing of OTC derivatives, regulatory capital reform under Basel III and the margining of non-cleared trades released by BCBS-IOSCO, among others. In light of these changes, CCPs need to meet the greater market demands and play a wider role, as JSCC has done as financial markets expand.

## Roles of JSCC in Japanese Financial and Capital Markets

JSCC becomes a counterparty and provides settlement guarantee in relation to cash transactions executed on all Japanese securities exchanges and two PTSs (Proprietary Trading Systems), futures and options contracts executed on Tokyo Stock Exchange and Osaka Securities Exchange, OTC derivatives transactions (CDS and IRS), and OTC JGB transactions, thus preventing systemic risk and contributing to the enhancement of safety and efficiency of the financial and capital markets.



# OTC Derivatives Clearing

JSCC started OTC Derivatives clearing with CDS (Index CDS) clearing in July 2011 and Yen LIBOR-based IRS clearing in October 2012. 21 major financial institutions (Japan, U.S. and Europe) have been participating in IRS clearing since its launch, and volumes amounting to many trillions of yen on a daily basis.

JSCC has expanded its service to include yen TIBOR-based IRS as of February 2013 and is preparing for the introduction of IRC client clearing in February 2014. JSCC will continue to expand the scope of its clearing services.

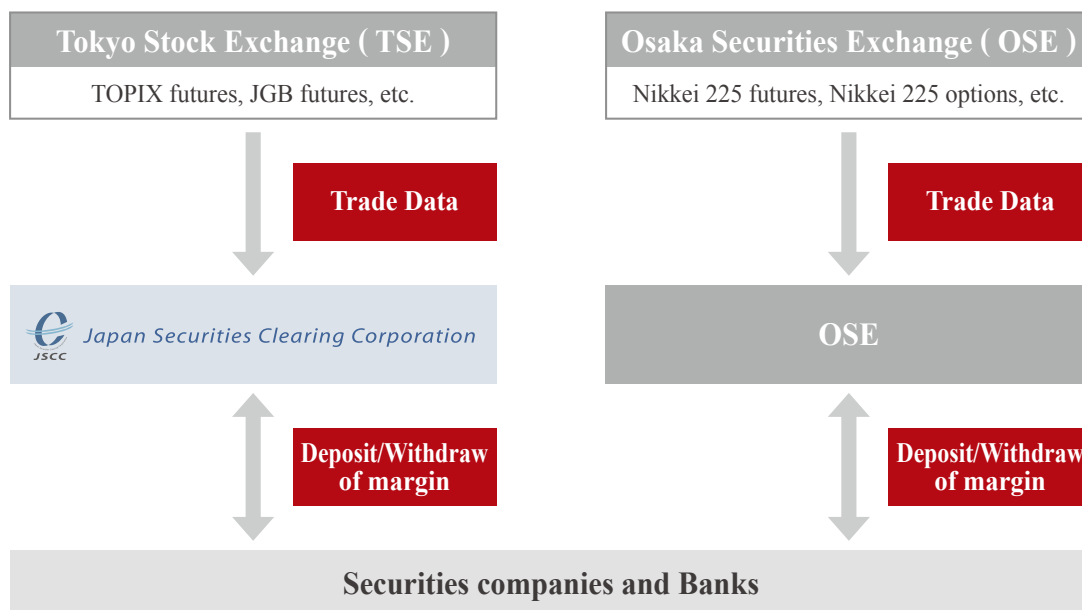
## **[ Milestone of the initiatives of OTC Derivatives Clearing ]**



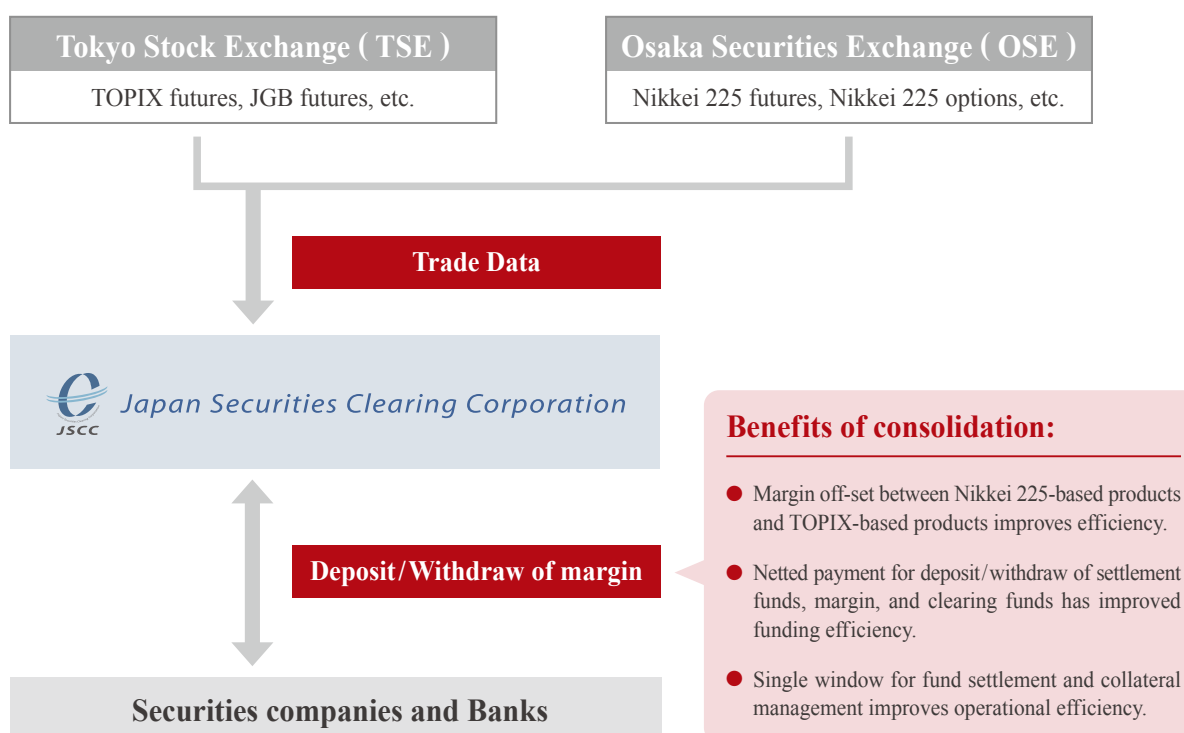
## ✚ Integration of OSE's Clearing Function

In July 2013 JSCC began clearing futures and options contracts executed on Osaka Securities Exchange ("OSE"). The integration has enabled the off-setting of margin for futures and options contracts, as well as unifying settlement operations. This has resulted in improved funding efficiency and a reduced operational burden for clearing participants.

### 【 Before the Integration 】



### 【 After the Integration 】





# ✚ Merger with Japan Government Bond Clearing Corporation

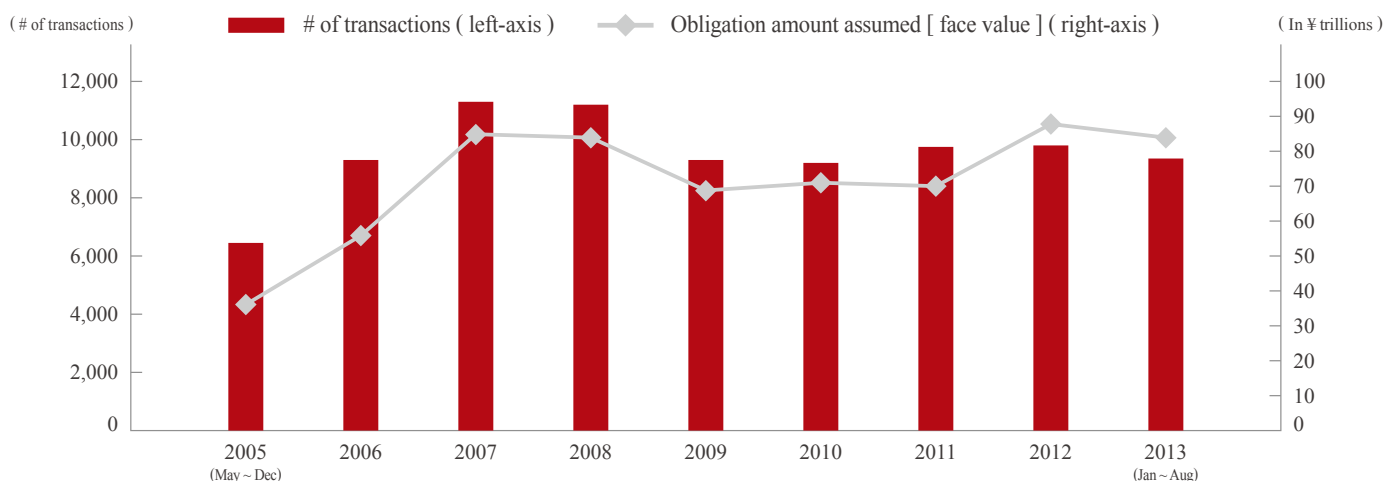
JSCC merged with Japan Government Bond Clearing Corporation (JGBCC) on October 1, 2013. From that day onwards, JSCC commenced the clearing services for the JGB transactions executed in OTC market.

## Background of the Merger

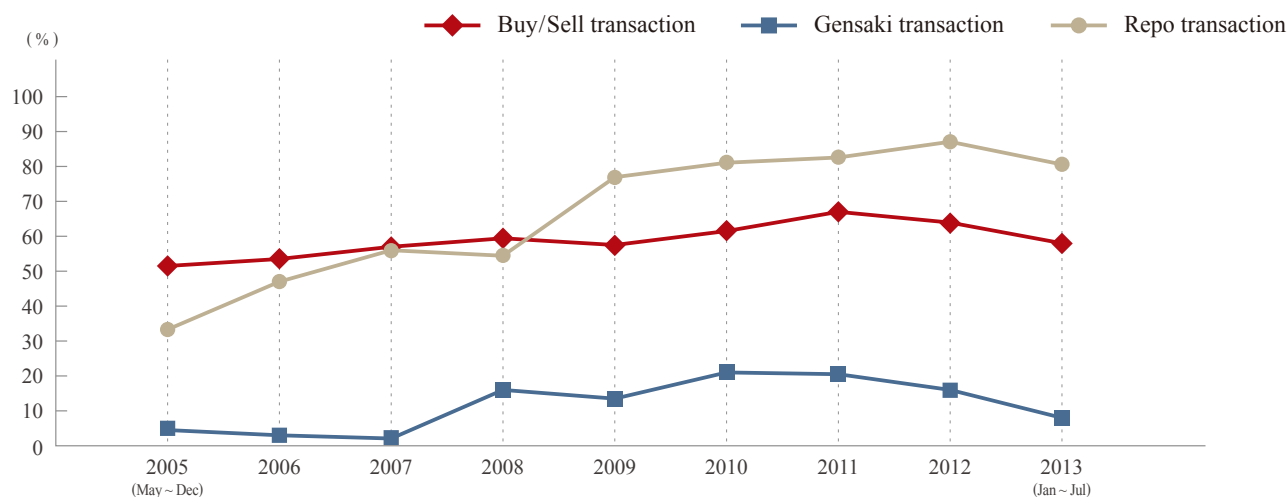
During the original planning phase for JGBCC, JSCC and JGBCC concluded an operational cooperation agreement. Following the outbreak of the global financial crisis, consensus was reached across the market that “strengthening of the settlement / clearing system for securities (JGB, etc.) transactions” was essential for the soundness of Japanese financial and capital markets. As part of that process, JSCC strengthened their collaboration with JGBCC by taking an equity stake in JGBCC and other similar measures.

Following recent developments in financial markets and the changing international regulatory environment, the importance of clearing organizations is growing. Against this backdrop, the merger of JSCC and JGBCC was realized in October 2013. The objectives were to enhance the international competitiveness of Japan’s financial and capital markets, through the strengthening of JSCC’s risk management function and governance structure, as well as other improvements in market efficiency and safety, including the introduction of portfolio margining.

## [ Clearing volume and value of JGBCC ( daily average ) ]



## [ Types of cleared transactions as a % of the market ]



# Steady Strengthening of Risk Management System

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## Framework of Risk Management

As JSCC assumes the credit risks and settlement risks of clearing participants in a concentrated manner, it needs to recognize and manage these risks appropriately. Therefore, JSCC has established a set of financial standards for all clearing participants from the perspective of managing their credit risks. JSCC constantly monitors the financial standing of clearing participants to ensure the appropriateness of their positions.

Since JSCC becomes the counterparty to transactions involving clearing participants for which JSCC has assumed the obligations, JSCC is required to complete the settlement of the transactions with the other participants, even in the event of the default of a clearing participant. Therefore, JSCC has a settlement guarantee system which is based on the principle that the defaulting party is responsible for any losses with its posted collaterals being the first to be applied to compensate for the losses followed by multi-tiered compensation scheme.

### Clearing Participant Requirements

Clearing participant requirements are specified by JSCC for each of the participant types and consist of entry requirements and maintenance requirements. There are two types of clearing participant qualifications: Principal Clearing Participant qualification and Agency Clearing Participants qualification. Principal Clearing Participant is entitled to settle only its own transactions and its customers' transactions. Agency Clearing Participants is entitled to settle transactions by non-clearing participants as well as its own and customers' transactions.

### Risk Monitoring of Clearing Participants

JSCC is regularly monitoring clearing participants' governance structure, business execution capability, and financial condition. When any problematic situation is recognized which JSCC deems it necessary, JSCC may suspend the clearing services to the said participant, or may revoke their qualification as a participant at its discretion, as the case may be.

### Collateral System

To ensure risk management for any position held by clearing participant, the participant is required to deposit necessary collateral with JSCC, concerning both exchange-traded clearing and OTC clearing. Acceptable collateral and calculation methodology are different depending on the type of trades.

### Default Management

In the event of default, JSCC will suspend all the delivery of settlement fund as well as the securities between defaulting participant and JSCC. Thereafter, default management shall proceed in accordance with the loss compensation scheme which is pre-stipulated by types of transaction.

In any type of transaction, clearing participant are assured of safe market as JSCC will complete all the settlement with the other non-defaulting participant as the counterparty.

In addition, JSCC conducts the agreement on liquidity supply with fund settlement banks to secure short-time liquidity in the event of clearing participant's default.

# ✚ Risk Management System for Exchange-traded Clearing

## Clearing Participant Requirements [ Key entry requirements of Clearing Participant for Exchange-traded clearing ]

Financial Instruments Business Operator	Principal	Agency
<b>Capital</b>	¥ 300 million or more	
<b>Net Asset</b>	¥ 2 billion or more	¥ 20 billion or more
<b>Capital-to-Risk Ratio</b>	over 200%	

Registered Financial Institution		Principal	Agency
<b>Stated Capital or Total Amount of Contribution</b>		¥ 300 million or more	
<b>Net Asset</b>		¥ 2 billion or more	¥ 20 billion or more
<b>Capital Adequacy Ratio</b>	<b>Uniform International Standard</b>	(1) over 4.5% in Tier 1 (common stocks, etc.) Ratio**	
		(2) over 6% in Tier 1 Ratio**	
	<b>Domestic Standard</b>	over 4%**	
<b>Solvency Margin Ratio</b>		over 400%	

※ Transitional measure is existing, effective until March 30, 2015. As for the registered financial institutions, to which the international standards are not applied, Capital Ratio should be over 8%.

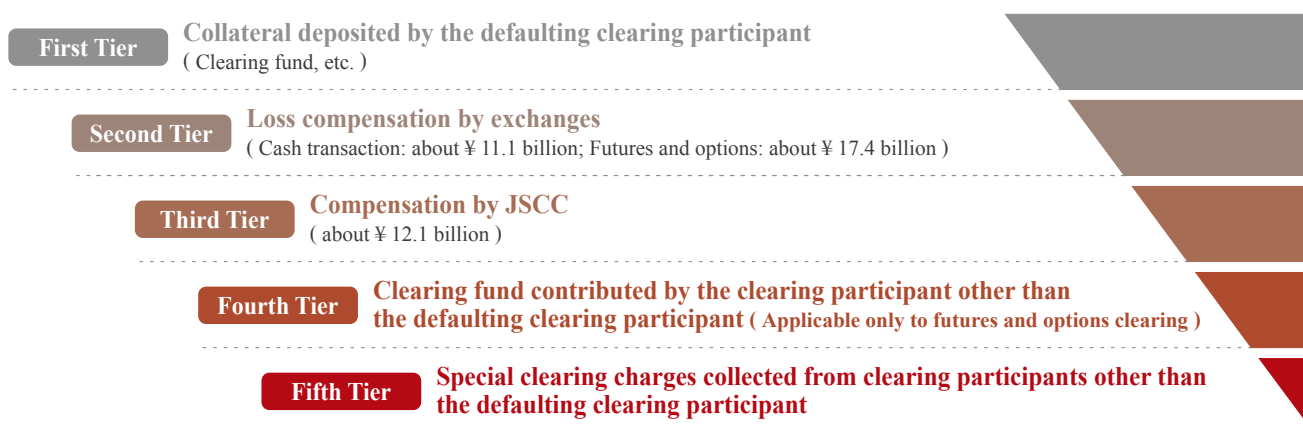
## Collateral System

Cash Transaction	Collateral Type	Outline
	<b>Clearing Fund</b>	<ul style="list-style-type: none"> <li>To be deposited to cover the risk exposure of the price fluctuation for each equity which covers 99% confidence level for the past 120 days based on each participant's unsettled position.</li> <li>The required amount is calculated daily.</li> </ul>
	<b>Collateral for Facilitating Settlement</b>	<ul style="list-style-type: none"> <li>At DVP settlement for cash trading, this will be deposited by participants at their option in order to receive the related securities at an early stage.</li> </ul>

Futures and Options Transaction	Collateral Type	Outline
	<b>Clearing Margin</b>	<ul style="list-style-type: none"> <li>To be deposited to cover the risk exposure of the price fluctuation for each participant's open position which covers 99% confidence level.</li> <li>The required amount is calculated daily via SPAN®*</li> </ul> <p>※ * The SPAN® (Standard Portfolio Analysis of Risk) system is a methodology that calculates risk-based margin developed by Chicago Mercantile Exchange (CME) in 1988.</p>
	<b>Clearing Fund</b>	<ul style="list-style-type: none"> <li>To be deposited to cover the following losses:                             <ul style="list-style-type: none"> <li>① Losses arising from the multiple clearing participants' defaults in extreme but plausible market conditions.</li> <li>② Losses arising from the unpaid mark-to-market difference and settlement fund.</li> </ul> </li> <li>The required amount is calculated monthly.</li> </ul>

## Loss Compensation Scheme

In the event that JSCC incurs loss as a result of a clearing participant's default, the loss shall be compensated in the following order.



# ✚ Risk Management System for OTC Derivatives Transactions

## Risk Management System for CDS Clearing

### Clearing Participant Requirements [ Key entry requirements of Clearing Participant for CDS Clearing ]

Financial Instruments Business Operator		Registered Financial Institution	
Item	Criteria	Item	Criteria
Capital	over ¥ 100 billion	Capital	over ¥ 100 billion
Capital-to-Risk Ratio	over 200%	Capital Adequacy Ratio	(1) over 4.5% in Tier 1 (common stocks, etc.) Ratio <sup>※1</sup> (2) over 6% in Tier 1 Ratio <sup>※1</sup> (3) over 8% in Total Capital Ratio
Credit Standing <sup>※2</sup>	Having certain level of creditworthiness		Domestic Standard
		Solvency Margin Ratio	over 400%
		Credit Standing <sup>※2</sup>	Having certain level of creditworthiness

※1 Transitional measure is existing, effective until March 30, 2015. As for the registered financial institutions, to which the international standards are not applied, Capital Ratio should be over 8%.

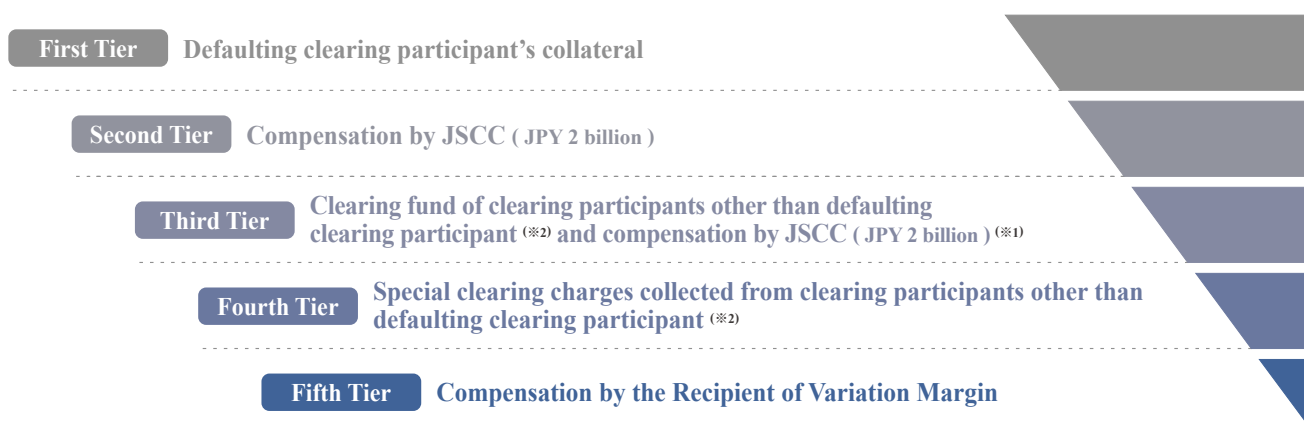
※2 Comprehensive judgment is made for this, where rating of the target clearing participant is used as one of the factors.

## Collateral Management

Collateral Type	Outline
Initial Margin	<ul style="list-style-type: none"> <li>To be deposited to cover the average of top 1% that exceeds 99% of the price fluctuation for the past 750 days.</li> <li>The required amount is calculated daily.</li> <li>Besides this, there will be following additions depending on risks associated with clearing participant's position. <ul style="list-style-type: none"> <li>A certain amount will be added to initial margin of a CDS seller to cover risk exposures in the event of occurrence of credit event of the reference entity (short charge).</li> <li>The amount determined according to each index series will be added to cover the liquidity risk of each index series (bid/offer charge).</li> <li>A certain amount will be added with respect to the index series to which a credit event has occurred in order to hedge the risk exposure for the period from the time of occurrence of the credit event to the settlement of the credit event (credit event margin).</li> </ul> </li> </ul>
Variation Margin	<ul style="list-style-type: none"> <li>To be deposited in cash in the amount equal to the variance of NPV (Net Present Value) associated with daily price fluctuation to cover the risk exposure of the daily price fluctuation.</li> </ul>
Clearing Fund	<ul style="list-style-type: none"> <li>To be deposited to cover the risk of incurrence of following two losses: <ul style="list-style-type: none"> <li>The loss incurred in the case where daily variation margin of each clearing participant is not paid by settlement cutoff time, and where a clearing participant defaults without having paid the daily variance of initial margin.</li> <li>The loss incurred in the case of a default of the 2 clearing participants whose losses accruing in excess of the required initial margin amount deposited by clearing participants are the largest and the second largest, under the stressed.</li> </ul> </li> <li>The required amount is calculated weekly.</li> </ul>

## Loss Compensation Scheme

In the event that JSCC incurs loss as a result of a clearing participant's default, the loss shall be compensated in the following order.



※1 Limited to CDS clearing fund

※2 Will be capped with the amount of clearing fund for the clearing participant's default that had occurred by the 30 th days from the first default (if another default has occurred during that period, 30th day from the relevant default)

## Risk Management System for IRS Clearing

### Clearing Participant Requirements [ Key entry requirements of Clearing Participant for IRS Clearing ]

Financial Instruments Business Operator		Registered Financial Institution		
Item	Criteria	Item	Criteria	
Capital	over ¥ 100 billion	Capital	over ¥ 100 billion	
Capital-to-Risk Ratio	over 200%	Capital Adequacy Ratio	Uniform International Standard	(1) over 4.5% in Tier 1 (common stocks, etc.) Ratio <sup>※1</sup> (2) over 6% in Tier 1 Ratio <sup>※1</sup> (3) over 8% in Total Capital Ratio
Credit Standing <sup>※2</sup>	Having certain level of creditworthiness		Domestic Standard	over 4% <sup>※1</sup>
		Solvency Margin Ratio	over 400%	
		Credit Standing <sup>※2</sup>	Having certain level of creditworthiness	

※1 Transitional measure is existing, effective until March 30, 2015. As for the registered financial institutions, to which the international standards are not applied, Capital Ratio should be over 8%.

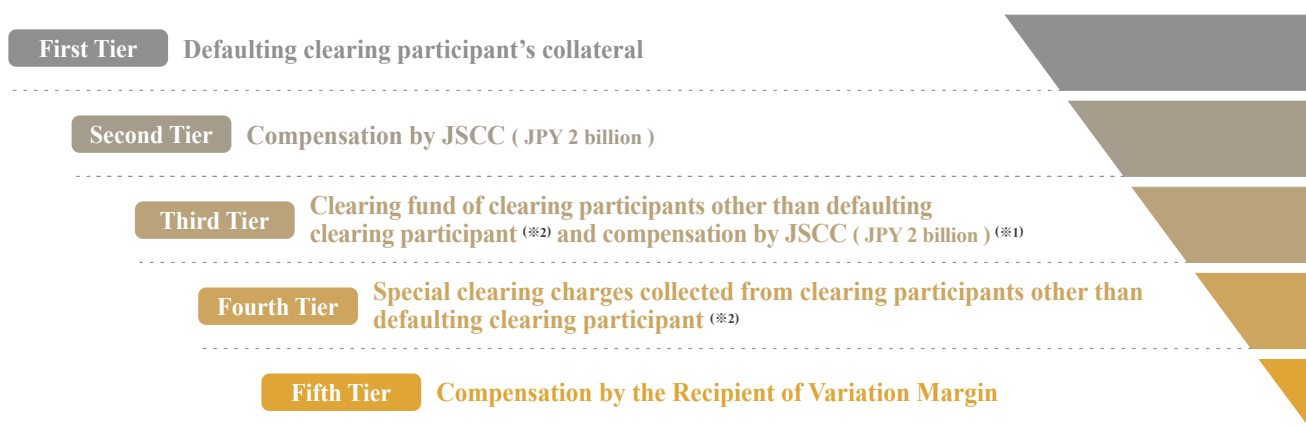
※2 Comprehensive judgment is made for this, where rating of the target clearing participant is used as one of the factors.

## Collateral Management

Collateral Type	Outline
Initial Margin	<ul style="list-style-type: none"> <li>To cover the largest loss for the price fluctuation for the past 1250 days.</li> <li>The required amount is calculated daily.</li> <li>Besides, the measure of raising initial margin will be taken in the case where the risk exposure in excess of certain threshold (liquidity charge).</li> </ul>
Variation Margin	<ul style="list-style-type: none"> <li>To be deposited to cover the risk exposure of the price fluctuation which is received or paid by cash equivalent to the NPV variation.</li> </ul>
Intra-day Margin	<ul style="list-style-type: none"> <li>Concerning the position of a clearing participant at noon, equivalent of the initial margin recalculated by using the latest market data, plus or minus the equivalent of the variation margin recalculated by using the latest market data, shall be deposited within the current day.</li> </ul>
Clearing Fund	<ul style="list-style-type: none"> <li>To be deposited to cover the loss incurred, under the stress condition, in the case of the default of the top 2 clearing participants in the loss incurred exceeding the initial margin requirements deposited by the clearing participants.</li> <li>The required amount is calculated weekly.</li> </ul>

## Loss Compensation Scheme

In the event that JSCC incurs loss as a result of a clearing participant's default, the loss shall be compensated in the following order.



※1 Limited to IRS clearing fund

※2 Will be capped with the amount of clearing fund for the clearing participant's default that had occurred by the 30th days from the first default (if another default has occurred during that period, 30th day from the relevant default)

# Initiatives to Facilitate the Use of JSCC for Overseas Clearing Participants

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## ✚ OTC Derivatives Regulation Reform

The G-20 Pittsburgh Summit provided that all standardized OTC derivative contracts should be cleared through central counterparties to improve the transparency of the derivatives markets, mitigate systemic risk, and protect against market abuse. Following the leaders' statement, OTC derivatives regulatory reform was implemented to fulfill that commitment.

## ✚ Mandatory Clearing in the US and EU

In the US, in accordance with the CEA (Commodity Exchange Act), CDS and IRS transactions which fulfill specified criteria must be cleared through a clearing house registered as a DCO (Derivatives Clearing Organizations) with the CFTC. It is expected that the range of transactions subject to the clearing mandate will continue to be expanded.

In the EU, EMIR (European Market Infrastructure Regulation) stipulated that OTC derivatives transactions meeting specific criteria shall be cleared through a clearing house recognized by ESMA (European Securities and Markets Authority).

## ✚ Initiatives of JSCC

Under the U.S. regulations, including the clearing mandate, JSCC must be registered as a DCO with the CFTC in order to provide clearing service to U.S. firms. In order to comply with the regulations, JSCC was issued with a No-Action Letter from CFTC, providing time-limited relief, subject to a certain conditions, from enforcement of the requirements of the CEA and CFTC regulations. In particular, JSCC need not register as a DCO to clear IRS or CDS for a clearing member, their parent or other affiliate. JSCC is using this time to continue with its application for DCO registration.

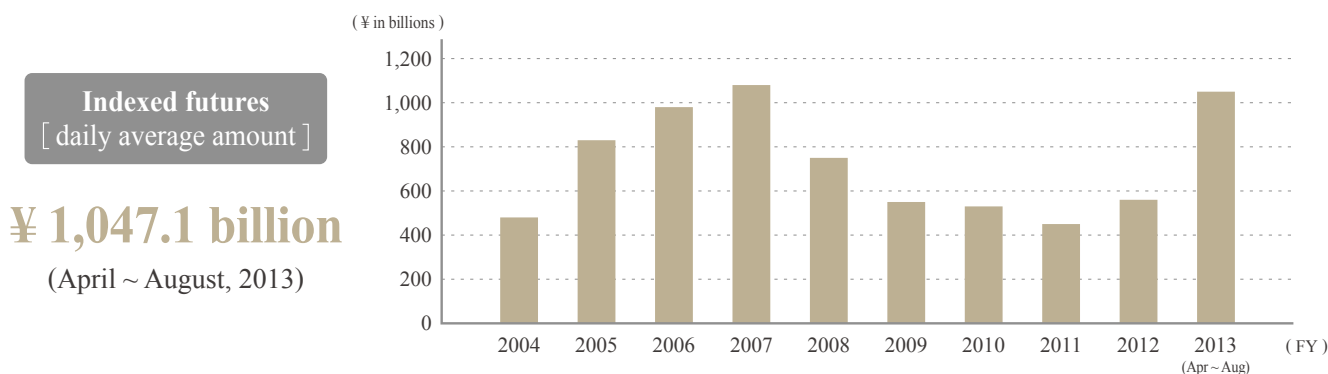
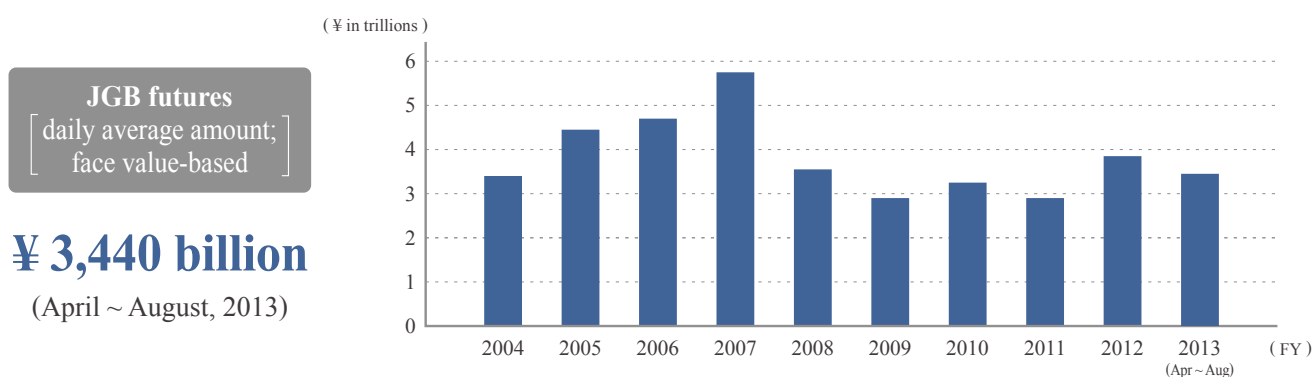
Similarly, in Europe, JSCC have begun the process of applying for recognition as a third country CCP by ESMA, as defined under EMIR.



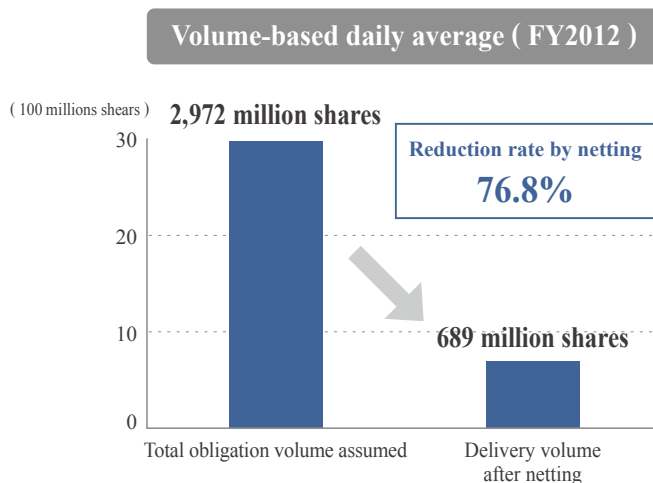
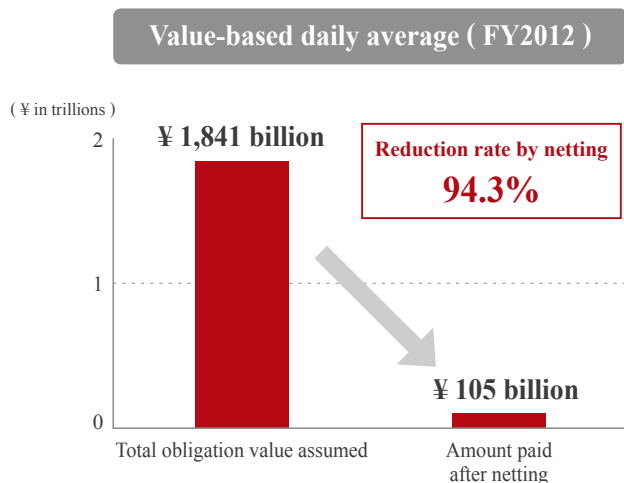


# Business Statistics

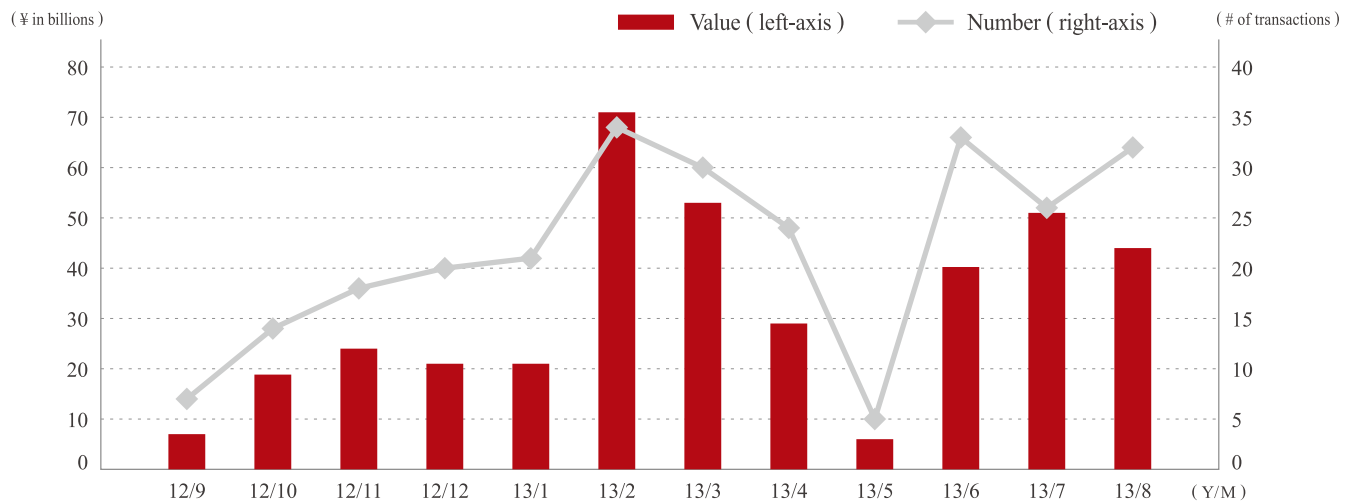
## Amount of Obligations Assumed concerning Exchange-traded Transactions



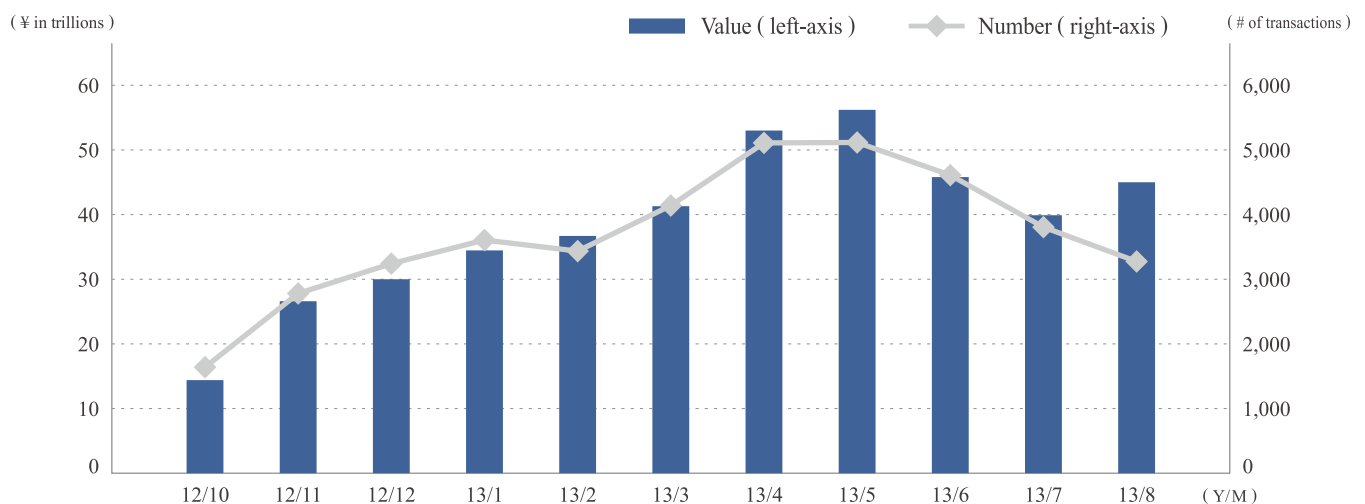
## Netting result concerning Exchange-traded transactions



## ✚ Number and Value of Cleared Transaction ( Credit Default Swaps )



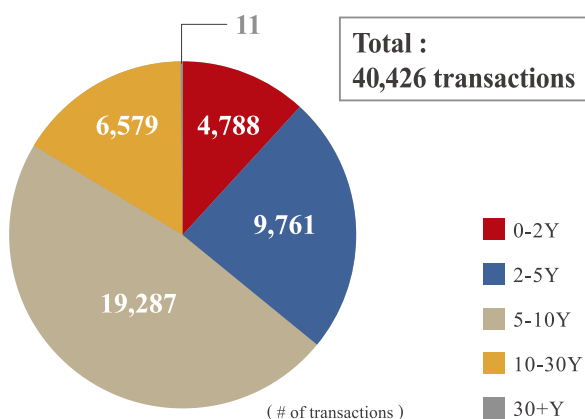
## ✚ Number and Value of Cleared Transaction ( Interest Rate Swaps )



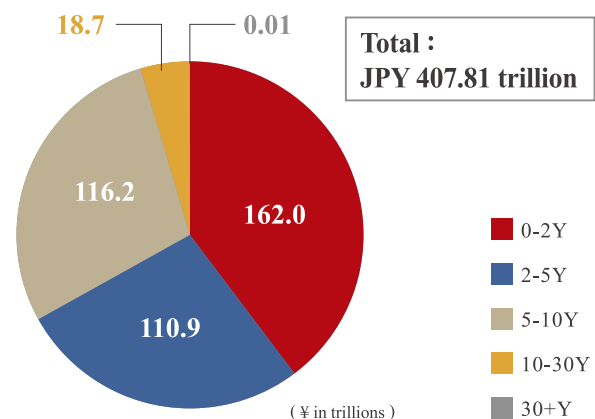
## ✚ Number and Value of Cleared Transaction ( Interest Rate Swaps )

※ Aggregate for the period between Oct 2012 and Aug 2013.

Number of cleared transactions by tenor



Value of cleared transactions by tenor



# Clearing Participants ( as of October 1, 2013 )

## ✚ Listed Product Clearing Participants ( 130 Companies )

Name of Clearing Participant	a	b	c	d
<b>A</b> ABN AMRO Clearing Tokyo Co., Ltd.	○	○	○	
ACE SECURITIES CO.,LTD.	○	○	○	
AIZAWA SECURITIES CO., LTD.	○	○	○	
Akatsuki Securities, Inc.	○	○	○	
ANDO SECURITIES CO., LTD.		○	○	
Aozora Bank, Ltd.		○		
ARK SECURITIES CO.,LTD.	○	○	○	
<b>B</b> THE BANK OF FUKUOKA, LTD.		○		
The Bank of Kyoto, Ltd.		○		
THE BANK OF SAGA LTD.		○		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		○		
The Bank of Yokohama, Ltd.		○		
Bansei Securities Co.,Ltd			○	
Barclays Securites Japan Limited	○	○	○	
BNP Paribas Securities (Japan) Limited	○	○	○	
<b>C</b> The Chiba Bank, Ltd.		○		
Chibagin Securities Co.,Ltd	○	○	○	
CHUBU SECURITIES FINANCING CO.,LTD.	○			
The Chugoku Bank, Limited		○		
Citibank Japan Ltd.	★	★	★	
Citigroup Global Markets Japan Inc.	○	○	○	○
CLSA Securities Japan Co.,Ltd	○			
Credit Agricole Securities Asia B.V.	○	○		
Credit Suisse Securities (Japan) Limited	○	○	○	
<b>D</b> Daiko Clearing Services Corporation	★	★	★	
The Daishi Bank, Ltd.		○		
Daiwa Securities Co.Ltd.	○	○	○	
Deutsche Securities Inc.		○		
<b>E</b> Eiwa Securities Co.,Ltd.		○	○	
<b>F</b> Fukuoka Securities Co.,Ltd.	○	○	○	
<b>G</b> GMO CLICK Securities, Inc.	○		○	
Goldman Sachs Japan Co., Ltd.	○	○	○	
The Gunma Bank, Ltd.		○		
<b>H</b> H.S. SECURITIES CO.,LTD.	○	○	○	
The Hachijuni Bank, Ltd.		○		
HACHIJUNI SECURITIES Co.,Ltd.	○	○	○	
Hibiki Securities Inc.	○		○	
THE HIKARI SECURITIES CO.,LTD.	○	○	○	
HINODE SECURITIES CO.,LTD.	○	○	○	
HIROTA SECURITIES CO.,LTD.	○	○	○	
The Hokuetsu Bank, Ltd.		○		
The Hongkong and Shanghai Banking Corporation Limited	★		★	
HSBC SECURITIES (JAPAN) LIMITED	○	○	○	
The Hyakujushi Bank, Ltd.		○		
<b>I</b> Ichiyoshi Securities Co.,Ltd.	○	○	○	
The Imamura Securities Co., Ltd.	○	○	○	○
IwaiCosmo Securities Co.,Ltd.	★	○	○	
<b>J</b> JP Morgan Securities Japan Co., Ltd.	○	○	○	★
Japan Asia Securities Co.,Ltd.	○	○	○	
JAPAN SECURITIES FINANCE CO.,LTD.	○			

Name of Clearing Participant	a	b	c	d
The Joyo Bank, Ltd.		○		
<b>K</b> kabu.com Securities Co.,Ltd.			○	○
KAZAKA Securities Co., Ltd.	○	○	○	
KIMURA SECURITIES CO.,LTD.	○	○	○	
The Kiyo Bank, Ltd.		○		
The Kosei Securities Co.,Ltd.	○	○	○	○
KYOKUTO SECURITIES CO.,LTD.	○	○	○	
Kyowa Securities Co.,Ltd.	○	○	○	
<b>L</b> Leading Securities Co., Ltd.	○			
livestar Securities Co.,Ltd.	○	○	○	
<b>M</b> Macquarie Capital Securities (Japan) Limited	○			
Marufuku Securities Co.,Ltd.	○	○	○	
Maruhachi Securities Co.,Ltd.	○	○	○	
MARUKUNI SECURITIES CO.,LTD.	○	○	○	
Marusan Securities Co.,Ltd.	○	○	○	
MATSUI SECURITIES CO.,LTD.	○	○	○	○
MEIWA SECURITIES CO.,LTD.		○	○	
Merrill Lynch Japan Securities Co.,Ltd.	★	○	○	○
MIKI SECURITIES CO.,LTD.	○	○	○	
MITA SECURITIES Co.,Ltd.	○		○	
Mito Securities Co.,Ltd.	○	○	○	
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	○	○	○	
Mitsubishi UFJ Trust and Banking Corporation		○		
Mizuho Bank, Ltd.		○		
Mizuho Securities Co.,Ltd.	○	○	○	
Mizuho Trust & Banking Co.,Ltd.		○		
Monex, Inc.	○		○	○
MONEY PARTNERS CO.,LTD				○
Morgan Stanley MUFG Securities Co., Ltd.	○	○	○	
Musashi Securities Co., Ltd.	○	○	○	○
<b>N</b> NAGANO SECURITIES CO.,LTD.	○	○	○	
NAITO SECURITIES CO.,LTD.	○	○	○	
The Nakahara Securities Co.,Ltd.	○	○	○	
Natixis Japan Securities Co.,Ltd.	○	○	○	
New-S Securities Co.,Ltd.	○			
Newedge Japan Inc.		○	○	
Niigata Securities Co.,Ltd.	○	○	○	
NISHIMURA SECURITIES CO.,LTD.	○	○	○	
THE NISHI-NIPPON CITY BANK, LTD.		○		
NISSAN CENTURY SECURITIES CO., LTD.	○	○	○	○
Nomura Securities Co.,Ltd.	○	○	○	○
The Norinchukin Bank		○		
<b>O</b> The Ogaki Kyoritsu Bank, Ltd.		○		
OKACHI SECURITIES CO.,LTD.	○	○	○	
OKASAN SECURITIES CO.,LTD.	★	○	○	
OKAYASU SECURITIES, Co.,Ltd	○			
<b>P</b> Phillip Securities Japan,Ltd.	○	○	○	
<b>R</b> Rakuten Securities, Inc.	○	○	○	
RBS SECURITIES JAPAN LIMITED	○	○	○	
Resona Bank, Limited		○		
Retela Crea Securities Co.,Ltd.	○	○	○	
<b>S</b> San-ei Securities Co.,Ltd.	○	○	○	
SANKO SECURITIES CO.,LTD.	○	○	○	
Sankyo Securities Co., Ltd.	○		○	

## Types of Clearing Participants

**a** : Cash Products    **b** : JGB Futures, etc.    **c** : Indexed Futures, etc.    **d** : FX  
○ : Principal Clearing Participant    ★ : Agency Clearing Participant

Name of Clearing Participant		a	b	c	d
T	SBI SECURITIES Co., Ltd.	○	○	○	
	Securities Japan, Inc.	○	○	○	
	The Senshu Ikeda Bank, Ltd.		○		
	The 77 Bank, Ltd.		○		
	Shinkin Central Bank		○		
	Shinkin Securities Co., Ltd.		○		
	THE SHIZUOKA BANK, LTD.		○		
	The Shoko Chukin Bank, Ltd.		○		
	Sinsei Bank, Limited		○		
	SMBC Friend Securities Co.,Ltd.	○	○	○	
	SMBC Nikko Securities Inc.	○	○	○	
	Societe Generale Securities (North Pacific) Ltd.	○	○	○	
	Sumitomo Mitsui Banking Corporation		○		
	Sumitomo Mitsui Trust Bank, Limited		○		
	TAKAGI SECURITIES CO.,LTD.	○	○	○	

Name of Clearing Participant		a	b	c	d
	THE TACHIBANA SECURITIES CO.,LTD.	○	○	○	
	Tokai Tokyo Securities Co.,Ltd.	○	○	○	
	TOYO SECURITIES CO.,LTD.	○	○	○	
U	UBS Securities Japan Co., Ltd.	○	○	○	
	UTSUMIYA SECURITIES CO.,LTD.	○	○	○	
Y	YAHATA SECURITIES CO.,LTD.	○	○	○	
	YAMAGEN Securities Co.,Ltd.	○	○	○	
	The Yamaguchi Bank, Ltd.		○		
	Yamani Securities Co.,Ltd.	○	○	○	
	YAMAWA SECURITIES CO.,LTD.		○	○	
	The Yutaka Securities Co.,Ltd.	○	○	○	○
Principal		84	112	86	11
Agency		6	2	3	1

## CDS Clearing Participants ( 10 Companies )

Name of Clearing Participant		
BNP Paribas	Goldman Sachs Japan Co., Ltd.	Morgan Stanley MUFG Securities Co., Ltd.
Citigroup Global Markets Japan Inc.	Merrill Lynch Japan Securities Co., Ltd.	Nomura Securities Co., Ltd.
Daiwa Securities Co. Ltd.	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	
Deutsche Bank Aktiengesellschaft	Mizuho Securities Co., Ltd.	

## IRS Clearing Participants ( 21 Companies )

Name of Clearing Participant		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Goldman Sachs Japan Co., Ltd.	Resona Bank, Limited.
Barclays Bank PLC	JPMorgan Securities Japan Co., Ltd.	The Royal Bank of Scotland plc
BNP Paribas	Merrill Lynch Japan Securities Co., Ltd.	SMBC Nikko Securities Inc.
Citigroup Global Markets Japan Inc.	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	Societe Generale
Credit Suisse Securities (Japan) Limited	Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation
Daiwa Securities Co. Ltd.	Morgan Stanley MUFG Securities Co., Ltd.	Sumitomo Mitsui Trust Bank, Limited.
Deutsche Bank Aktiengesellschaft	Nomura Securities Co., Ltd.	UBS AG

## OTC JGB Clearing Participants ( 34 Companies )

Name of Clearing Participant	Eligibility Type	Name of Clearing Participant	Eligibility Type	Name of Clearing Participant	Eligibility Type
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	○	JPMorgan Securities Japan Co., Ltd	○	SMBC Nikko Securities Inc.	○
Barclays Securities Japan Limited	○	Japan Securities Finance Co., Ltd	○	Societe Generale Securities (North Pacific) Ltd.	○
BNP Paribas Securities (Japan) Limited	○	Merrill Lynch Japan Securities Co., Ltd.	○	Sumitomo Mitsui Banking Corporation	○
Credit Agricole Securities Asia B.V., Tokyo Branch	○	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	○	The Sumitomo Mitsui Trust Bank, Limited	○
Central Tanshi Co., Ltd	○	Mizuho Bank, Ltd.	○	Tokai Tokyo Securities Co., Ltd.	○
Central Totan Securities Co., Ltd	○	Mizuho Securities Co., Ltd.	○	The Tokyo Tanshi Co., Ltd	○
Citibank Japan Ltd.	★	Morgan Stanley MUFG Securities Co., Ltd.	○	UBS Securities Japan Co., Ltd.	○
Citigroup Global Markets Japan Inc.	○	Nomura Securities Co., Ltd	○	Ueda Yagi Tanshi Co., Ltd.	○
Credit Suisse Securities (Japan) Limited	○	The Nomura Trust and Banking Co., Ltd	○		
Daiwa Securities Co. Ltd.	○	The Norinchukin Bank	○		
Deutsche Securities Inc.	○	Okasan Securities Co., Ltd	○		
Goldman Sachs Japan Co., Ltd.	○	RBS Securities Japan Limited	○		
Japan Bond Trading Co., Ltd.	○	SMBC Friend Securities Co., Ltd.	○		
				<b>Principal</b>	<b>33</b>
				<b>Agency</b>	<b>1</b>

# Financial Statements

## ✦ Balance Sheet

( In ¥ millions )

ASSETS	2013 as of 2013.3.31	2012 as of 2012.3.31
<b>CURRENT ASSETS</b>	<b>444,503</b>	<b>201,279</b>
Cash and deposits	24,494	18,309
Account receivables - Trade	1,582	1,099
Deferred tax assets	71	37
Margin funds for derivatives	230,213	111,004
Deposits for clearing funds	106,862	59,376
Deposits as collateral for facilitating settlement	10,000	11,110
Margin funds for when-issued transactions	192	292
Margin funds for CDS transactions	2,825	—
Deposits for clearing funds for CDS	994	—
Margin funds for IRS transactions	46,499	—
Deposits for clearing funds for IRS	20,707	—
Other current assets	59	50
<b>FIXED ASSETS</b>	<b>3,489</b>	<b>3,455</b>
Property and equipment	104	24
Buildings	73	21
Equipment and furniture	30	2
Intangible fixed assets	0	5
Software	0	5
Investments and other assets	3,384	3,425
Investments in securities	1,583	1,591
Investments in affiliated companies	1,750	1,750
Long-term prepaid expenses	1	33
Deferred tax assets	1	2
Guarantee money deposits	48	48
<b>DEFERRED ASSETS</b>	<b>21</b>	<b>14</b>
Share issuing expenses	21	14
<b>TOTAL ASSETS</b>	<b>448,015</b>	<b>204,750</b>

LIABILITIES	2013 as of 2013.3.31	2012 as of 2012.3.31
<b>CURRENT LIABILITIES</b>	<b>420,145</b>	<b>182,893</b>
Account payables - Trade	992	846
Margin funds received for derivatives	230,213	111,004
Deposits received for clearing funds	106,862	59,376
Deposits received as collateral for facilitating settlement	10,000	11,110
Margin funds received for when-issued transactions	192	292
Margin funds received for CDS transactions	2,825	—
Deposits received for clearing funds for CDS	994	—
Margin funds received for IRS transactions	46,499	—
Deposits received for clearing funds for IRS	20,707	—
Income taxes payable	550	170
Consumption taxes payable	61	21
Accrued bonuses	47	41
Accrued bonuses for directors	20	15
Other current liabilities	178	15
<b>FIXED LIABILITIES</b>	<b>3</b>	<b>7</b>
Long-term account payables	3	7
<b>TOTAL LIABILITIES</b>	<b>420,149</b>	<b>182,901</b>
<b>EQUITY</b>		
<b>Shareholders' equity</b>	<b>27,865</b>	<b>21,848</b>
Capital stock	7,350	4,850
Capital surplus	6,900	4,400
Capital reserve	6,900	4,400
Retained earnings	13,615	12,598
Other retained earnings	13,615	12,598
Settlement guarantee reserve for security trades and others	12,180	12,180
General reserve	410	—
Retained earnings-unappropriated	1,025	418
<b>TOTAL EQUITY</b>	<b>27,865</b>	<b>21,848</b>
<b>LIABILITIES AND EQUITY</b>	<b>448,015</b>	<b>204,750</b>

( Any fraction less than one million yen was rounded off. )



## Statement of Income

( In ¥ millions )

		2013 2012.4.1 ~ 2013.3.31	2012 2011.4.1 ~ 2012.3.31
OPERATING INCOME	OPERATING REVENUES	9,516	7,438
	Clearing Fees	8,786	6,627
	Monthly fees	145	148
	Maintenance fees on cash products and derivatives	439	446
	Other operating revenues	144	216
	OPERATING EXPENSES	7,889	6,803
	Outsourcing business costs	6,712	5,884
	Salaries and compensation	533	498
	Real estate rental fees	58	56
	Facility expenses	30	12
	Other operating expenses	555	350
	OPERATING INCOME	1,628	635
OTHER INCOME	OTHER INCOME	88	85
	Interest income	40	35
	Subsidy income	35	47
	Other	12	3
	OTHER EXPENSES	56	6
	Office relocation cost	44	—
	Other	11	—
	ORDINARY INCOME	1,658	1,658
INCOME BEFORE TAX		1,658	714
Corporate income tax, inhabitant tax and enterprise tax		674	295
Deferred		△33	7
NET INCOME		1,017	412

( Any fraction less than one million yen was rounded off. )

## Statement of Changes in Equity

April 1, 2012 - March 31, 2013

	Equity							Total equity	
	Capital stock	Capital surplus		Retained earnings			Shareholders' equity		
		Capital reserve	Capital surplus total	Other retained earnings					Total Retained earing
				Settlement guarantee reserve for securities trading, etc.	General reserve	Unappropriated			
Balance, March 31, 2012	4,850	4,400	4,400	12,180	—	418	12,598	21,848	21,848
Changes during the current term									
Issuance of new stocks	2,500	2,500	2,500					5,000	5,000
Transfer to general reserve					410	△410			
Net income						1,017	1,017	1,017	1,017
Changes during the term total	2,500	2,500	2,500	—	410	607	1,017	6,017	6,017
Balance, March 31, 2013	7,350	6,900	6,900	12,180	410	1,025	13,615	27,865	27,865

( Any fraction less than one million yen was rounded off. )

# Members of the Board and Auditors

As of October 1, 2013

## Members of the Board

President & CEO

Hironaga Miyama

Executive Vice President

Makoto Sonobe

Managing Director

Yasushi Suzuki

Michinori Ando

Executive Managing Director,  
SMBC Nikko Securities Inc.

Moriyuki Iwanaga

Senior Executive Officer & CFO,  
Japan Exchange Group, Inc.

Masakazu Kubota

Senior Managing Director,  
Keidanren

Noriaki Nagai

Senior Corporate Managing Director,  
Nomura Securities Co., Ltd.

Masahisa Nakagawa

Executive Managing Director,  
Daiwa Securities, Co. Ltd.

Yasumasa Nishi

Managing Director,  
Mizuho Bank, Ltd.

Seiji Miyauchi

Director,  
KYOKUTO SECURITIES CO., LTD.

Mikio Yamashita

Director,  
Morgan Stanley MUFG Securities Co., Ltd.

## Auditors

Standing Statutory Auditor

Akira Sato

Statutory Auditor

Shigeru Nakajima

Attorney-at-law

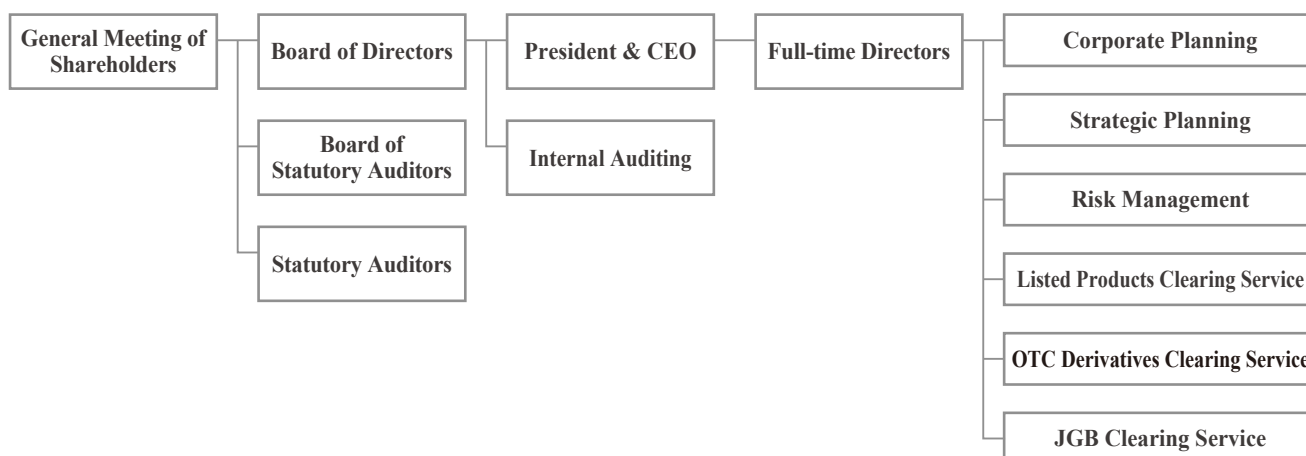
Statutory Auditor

Tsutoo Matsumoto

CPA

# Organization Chart

As of October 1, 2013



Advisory Committee				
Disciplinary Measures Assessment Committee	Listed Products	CDS	IRS	OTC JGB
	<ul style="list-style-type: none"> <li>Listed Products Risk Management Committee</li> <li>User Committee</li> </ul>	<ul style="list-style-type: none"> <li>CDS Risk Management Committee</li> <li>CDS Default Management Committee</li> <li>JSCC CDS Determination Committee</li> </ul>	<ul style="list-style-type: none"> <li>IRS Management Committee</li> <li>IRS Default Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>JGB OTC Management Committee</li> </ul>

# Company Profile

As of October 1, 2013

Company Name	Japan Securities Clearing Corporation
President & CEO	Hironaga Miyama
Head Office	2-1 Nihombashi-Kabuto-Cho, Chuo-ku, Tokyo 103-0026, Japan
TEL	+81-3-3665-1234
URL	<a href="http://www.jscc.co.jp">http://www.jscc.co.jp</a>
Date of Incorporation	July 1, 2008 (Commences business on January 14, 2003)
Capital	JPY 8,950,000,000
Shareholders	<div> <div>Class A Shares</div> <ul style="list-style-type: none"> <li>● Japan Exchange Group, Inc.</li> <li>● Fukuoka Stock</li> <li>● Nagoya Stock Exchange, Inc.</li> <li>● Sapporo Securities Exchange</li> </ul> </div> <div> <div>Class B Shares</div> <ul style="list-style-type: none"> <li>● Japan Exchange Group, Inc.</li> </ul> </div> <div> <div>Class C Shares</div> <ul style="list-style-type: none"> <li>● Japan Exchange Group, Inc.</li> <li>● Credit Suisse Securities (Japan) Limited</li> <li>● Goldman Sachs Japan Co., Ltd.</li> <li>● JP Morgan Securities Japan Co., Ltd.</li> <li>● Citigroup Global Markets Japan Inc.</li> <li>● Société Générale (Société Générale Bank)</li> <li>● Daiwa Securities Group Inc.</li> <li>● Deutsche Securities Inc.</li> <li>● Barclays Bank PLC</li> <li>● Nomura Holdings, Inc.</li> <li>● BNP Paribas Securities (Japan) Limited</li> <li>● Mizuho Bank, Ltd.</li> <li>● Sumitomo Mitsui Banking Corporation</li> <li>● Sumitomo Mitsui Trust Bank, Limited</li> <li>● The Bank of Tokyo-Mitsubishi UFJ, Ltd.</li> <li>● Merrill Lynch Japan Securities Co., Ltd.</li> <li>● Morgan Stanley MUFG Securities Co., Ltd.</li> <li>● UBS AG (Bank)</li> <li>● Resona Bank, Limited</li> <li>● The Royal Bank of Scotland plc (Tokyo Branch)</li> </ul> </div> <div> <div>Class D Shares</div> <ul style="list-style-type: none"> <li>● Japan Exchange Group, Inc.</li> <li>● Barclays Securities Japan Limited</li> <li>● BGC shokenkaisha Ltd.</li> <li>● BNP Paribas Securities (Japan) Limited</li> <li>● Central Tanshi Co., Ltd.</li> <li>● Central Totan Securities Co., Ltd.</li> <li>● Credit Agricole Securities Asia B.V. Tokyo Branch</li> <li>● Credit Suisse Securities (Japan) Limited</li> <li>● Daiwa Securities Co. Ltd.</li> <li>● Deutsche Securities Inc.</li> <li>● Japan Bond Trading Co., Ltd.</li> <li>● Japan Securities Finance Co., Ltd.</li> <li>● JPMorgan Securities Japan Co., Ltd.</li> <li>● Merrill Lynch Japan Securities Co., Ltd.</li> <li>● Morgan Stanley MUFG Securities Co., Ltd.</li> <li>● Nomura Holdings, Inc.</li> <li>● OKASAN SECURITIES GROUP INC.</li> <li>● Sumitomo Mitsui Banking Corporation</li> <li>● The Norinchukin Bank</li> <li>● Tokai Tokyo Financial Holdings, Inc.</li> <li>● Totan Holdings Co., Ltd.</li> <li>● UBS Securities Japan Co., Ltd.</li> <li>● Ueda Yagi Tanshi Co., Ltd.</li> <li>● Mizuho Securities Co., Ltd.</li> <li>● Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</li> <li>● The Bank of Tokyo-Mitsubishi UFJ, Ltd.</li> <li>● Mizuho Bank, Ltd.</li> </ul> </div>



*Japan Securities Clearing Corporation*

2-1 Nihombashi-Kabuto-cho, Chuo-ku, Tokyo 103-0026, Japan