

## Business Contingency Plan Pertaining to Calculation of IRS Margin Requirement, etc.

Amended April 2019

Japan Securities Clearing Corporation

| Item                  | Detailed Measures  | Remarks  |
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| <b>1. Market Data</b> | <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>(1) In cases where JSCC is unable to obtain market data due to system failures of information vendors, etc</p> </div> <ul style="list-style-type: none"> <li>As a rule, JSCC shall calculate yield curves using the most recent market data. In case the method has been deemed inappropriate by JSCC at the time of sudden change of market conditions, etc., however, JSCC shall use the price determined by it at its discretion on a case-by-case basis.</li> <li><input type="checkbox"/> JSCC shall notify IRS Clearing Participants of the occurrence of system failure, etc. and the handling of the market data and yield curves on the day through the “Information List” on Web Portal.</li> </ul> | <ul style="list-style-type: none"> <li>In such case, JSCC determines the prices based on the price information provided by information vendors as well as hearing for each IRS Clearing Participant.</li> <li>JSCC shall separately notify the person responsible for yield curves at each IRS Clearing Participant</li> </ul> |

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| 2. Margin, etc.    | <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> (1) In cases where JSCC is unable to calculate the Margin requirement, etc. due to system failure, etc. </div> <ul style="list-style-type: none"> <li>As a rule, the requirement shall be calculated based on the required amount of the most recently calculated margin, etc.</li> <li>JSCC shall notify IRS Clearing Participants (as well as Customers using Web Portal: the same applies whenever JSCC gives notice to IRS Clearing Participants) of the following information through the “Information List” of the OTC Terminal:</li> </ul> | <ul style="list-style-type: none"> <li>Initial Margin, Variation Margin, and Intraday Margin are collectively referred to as “Margin, etc.”</li> <li>JSCC shall separately notify the person responsible for collateral at each IRS Clearing Participant (as well as Customers submitted contact information) (The same shall apply whenever JSCC gives notification to IRS Clearing Participant(s)).</li> </ul> |
| 1) Intraday Margin | <input type="checkbox"/> In cases where the calculation of the Intraday Margin requirement is not completed around 13:00 on the day, JSCC shall notify to that  |  |

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| 2) Initial Margin | <p>effect.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Afterward, in cases where the calculation of the Intraday Margin requirement is completed by 14:00, JSCC shall immediately upload it to Web Portal and give notice of such upload.</li> <li><input type="checkbox"/> On the other hand, in cases where the calculation of the Intraday Margin requirement is not completed by 14:00 or the likelihood is great, JSCC shall immediately notify IRS Clearing Participants that the requirement will be calculated based on the required amount of the most recently calculated Margin, etc.</li> </ul><br><ul style="list-style-type: none"> <li><input type="checkbox"/> In cases where the calculation of the Initial Margin requirement is not completed around 17:30 on the day, JSCC shall notify to that effect.</li> <li><input type="checkbox"/> In cases where a failure occurs at or after 17:30 and the calculation of the Initial Margin requirement is not completed around 20:00, JSCC shall notify Cross Margining Users and IRS Clearing Participants whose trades have been cleared during the extended clearing hours to that effect</li> <li><input type="checkbox"/> Afterward, in cases where the calculation of the Initial Margin requirement is completed by 9:00 on the following business day, JSCC shall immediately upload it to Web Portal and give notice of such upload.</li> <li><input type="checkbox"/> On the other hand, in cases where the calculation of the Initial Margin requirement is not completed by 9:00 on the following</li> </ul> | <ul style="list-style-type: none"> <li>• In this case, the cutoff time for the Intraday Margin deposit shall be 16:00.</li> </ul><br><ul style="list-style-type: none"> <li>• The situation up to the point shall be notified as needed.</li> <li>• In case the requirement calculated before the occurrence of system failure was the Intraday Margin requirement, the relevant Intraday Margin requirement</li> </ul> |

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| 3) Variation Margin | <p>business day or the likelihood is great, JSCC shall immediately notify IRS Clearing Participants that the requirement will be calculated based on the required amount of the most recently calculated Margin, etc.</p> <p><input type="checkbox"/> Refer to Annex “Business Contingency Procedures and Treatment of Required Margins related to Cross Margining” for treatment of Required Initial Margin, etc. for Cross Margining Users.</p> <p><input type="checkbox"/> In cases where the calculation of the Variation Margin requirement is not completed around 17:30 on the day, JSCC shall notify to that effect.</p> <p><input type="checkbox"/> Afterward, in cases where the calculation of the Variation Margin requirement is completed by 14:00 on the following business day, JSCC shall immediately upload it to Web Portal and give notice of such upload.</p> <p><input type="checkbox"/> On the other hand, in cases where the calculation of the Variation Margin requirement is not completed by 14:00 on the following business day or the likelihood is great, JSCC shall immediately notify IRS Clearing Participants that the most recent Net Present Value will be applied.</p> | <p>shall be applied.</p> <ul style="list-style-type: none"> <li>• The situation up to the point shall be notified as needed.</li> <li>• In this case, the cutoff time for the Variation Margin settlement shall be 16:00.</li> <li>• In case the following business day happens to fall on the date of payment of Coupons or Up-Front Fee, the</li> </ul> |

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|   |   | <p>requirement shall be calculated subtracting the relevant payment amount from the most recent Net Present Value (this will allow the payment of Coupons or Up-Front Fee to be virtually offset with the Variation Margin requirement).</p> |
| <div>(2) In cases where the calculation results of the required amount of the Margin, etc. is or is highly likely to be incorrect</div> |   |  |
| 1) Intraday Margin  | <ul style="list-style-type: none"> <li>As a rule, correction of the required amount shall be followed up until the fixed hour and thereafter the required amount delivered shall be applied.</li> <li><input type="checkbox"/> In cases where the calculation result of the Intraday Margin requirement is, or is highly likely to be, incorrect, JSCC shall immediately notify IRS Clearing Participants to that effect through the “Information List” on Web Portal.</li> <li><input type="checkbox"/> Afterward, in cases where JSCC is able to reinform IRS Clearing</li> </ul> | <ul style="list-style-type: none"> <li>Cases pointed out by IRS Clearing Participants are also assumed.</li> <li>In this case, the cutoff</li> </ul>   |

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| 2) Initial Margin | <p>Participants of the correct amount of the Intraday Margin requirement by 14:00 on the day, JSCC shall apply such Intraday Margin requirement JSCC has reformed.</p> <ul style="list-style-type: none"> <li>❑ On the other hand, in cases where it is expected that JSCC is unable to reformat IRS Clearing Participants of the correct amount by 14:00 on the day, the amount of which JSCC initially informed IRS Clearing Participants shall be applied, as a rule, as the Intraday Margin requirement.</li> <li>❑ In cases where the calculation result of the Initial Margin requirement is, or is highly likely to be, incorrect, JSCC shall immediately notify IRS Clearing Participants to that effect through the "Information List" on Web Portal.</li> <li>❑ Afterward, in cases where JSCC is able to reformat of the correct amount of the Initial Margin requirement by 9:00 on the following</li> </ul> | <p>time for the Intraday Margin deposit shall be 16:00.</p> <ul style="list-style-type: none"> <li>• In cases where applying the relevant required amount is deemed inappropriate, such as when the level of required amount JSCC informed is deemed to be obviously erroneous, JSCC shall consider calculating the required amount based on the required amount of the most recently calculated Margin, etc.</li> <li>• In cases where applying the relevant required amount is deemed inappropriate, such as when the level of required amount JSCC</li> </ul> |

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| 3) Variation Margin | <p>business day, JSCC shall apply such Initial Margin requirement JSCC has reformed.</p> <p><input type="checkbox"/> On the other hand, in cases where JSCC is unable to reinform IRS Clearing Participants of the correct amount by 9:00, the amount of which JSCC initially informed IRS Clearing Participants shall be applied, as a rule, as the Initial Margin requirement.</p> <p><input type="checkbox"/> In cases where the calculation result of the Variation Margin requirement is, or is highly likely to be, incorrect, JSCC shall immediately notify IRS Clearing Participants to that effect through the “Information List” on Web Portal.</p> <p><input type="checkbox"/> Afterward, in cases where JSCC is able to reinform IRS Clearing Participants of the correct amount of the Variation Margin requirement by 14:00 on the following business day, JSCC shall apply such Variation Margin requirement JSCC has reformed.</p> <p><input type="checkbox"/> On the other hand, in cases where JSCC is unable to reinform IRS Clearing Participants of the correct amount by 14:00, the amount of which JSCC initially informed IRS Clearing Participants shall be</p> | <p>informed of is deemed to be obviously erroneous, JSCC shall consider calculating the required amount based on the required amount of most recently calculated Margin, etc.</p> <p>• In this case, the cutoff time for the Valuation Margin deposit shall be 16:00.</p> <p>• In cases where applying the relevant required amount is deemed</p> |

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| <p><b>3. Clearing Fund</b></p> <div data-bbox="264 603 1556 730" style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>(1) In cases where JSCC is unable to calculate the Clearing Fund requirement due to system failure, etc</p> </div> | <p>applied, as a rule, as the Variation Margin requirement.</p> <ul style="list-style-type: none"> <li>• As a rule, the requirement shall be calculated based on the required amount of the most recently calculated Clearing Fund.</li> <li> <input type="checkbox"/> In cases where the calculation of the Clearing Fund requirement is not completed around 20:30, JSCC shall notify to that effect. </li> <li> <input type="checkbox"/> Afterward, in cases where the calculation of the Clearing Fund requirement is completed by 14:00 on the following business day, JSCC shall immediately upload it to Web Portal and give notice of such upload. </li> <li> <input type="checkbox"/> On the other hand, in cases where the calculation of the Clearing Fund requirement is not completed by 14:00 on the following business day or the likelihood is great, JSCC shall immediately notify IRS Clearing Participants that the most recent Clearing Fund </li> </ul> | <p>inappropriate, such as when the level of required amount JSCC informed of is deemed to be obviously erroneous, JSCC shall consider calculating the required amount based on the most recent Net Present Value.</p> <ul style="list-style-type: none"> <li>• The situation up to the point shall be notified as needed.</li> <li>• In this case, the cutoff time for the deposit of Clearing Fund shall be 16:00.</li> </ul> |



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| <div data-bbox="293 560 1574 694" style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">           (2) In cases where the calculation results of the Clearing Fund requirement is or is highly likely to be incorrect         </div> | <p>requirement will be applied. Afterwards, when a recalculation has become possible, JSCC shall recalculate the Clearing Fund requirement and inform IRS Clearing Participants of the amount. In this case, the IRS Clearing Participants shall deposit the relevant requirement, as a rule, on a business day following the date of notification.</p>   | <ul style="list-style-type: none"> <li>• Cases pointed out by IRS Clearing Participants are also assumed.</li> <li>• In this case, the cutoff time for the deposit of Clearing Funds shall be 16:00.</li> <li>• In cases where applying the relevant required</li> </ul> |
|  | <ul style="list-style-type: none"> <li>• As a rule, correction of the required amount shall be followed up until the fixed hour and thereafter the required amount delivered shall be applied.</li> <li>❑ In cases where the calculation result of the Clearing Funds requirement is, or is highly likely to be, incorrect, JSCC shall immediately notify IRS Clearing Participants to that effect through the “Information List” on Web Portal.</li> <li>❑ Afterward, in cases where JSCC is able to reinform IRS Clearing Participants of the correct amount of the Clearing Fund requirement by 14:00 on the following business day, JSCC shall apply such Clearing Fund requirement JSCC has reformed.</li> </ul> <p>On the other hand, in cases where JSCC is unable to reinform IRS</p> |  |

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|      | <p>Clearing Participants of the correct amount by 14:00 on the following business day, the amount of which JSCC initially informed IRS Clearing Participants shall be applied, as a rule, as the Clearing Fund requirement. Afterwards, when it has become possible to recalculate the amount, JSCC shall recalculate the Clearing Fund requirement and inform IRS Clearing Participants of the amount. In this case, the IRS Clearing Participants shall deposit the relevant requirement, as a rule, on a business day following the date of notification.</p> | <p>amount is deemed inappropriate, such as when the level of required amount JSCC informed of is deemed to be obviously erroneous, JSCC shall consider applying the most recent required amount.</p> |

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| <b>4. Contact Information</b> | Japan Securities Clearing Corporation<br>OTC Derivatives Clearing Services<br>TEL: 050-3361-1794<br>FAX: 03-3665-1235<br>E-mail: <a href="mailto:otc@jpx.co.jp">otc@jpx.co.jp</a> |         |

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