

Policies for Management of Posted Collateral

February 24, 2014

Amended on November 11, 2014

Japan Securities Clearing Corporation

JSCC manages collateral posted by Clearing Participants and Clients, in accordance with its established policies for collateral management, as described below:

1. Management of Eligible Collateral

- JSCC manages the cash portion of collateral, deposited against the following requirements:
 - (1) JSCC's CDS Clearing Business: Initial Margin, Default Contingency Margin and CDS Clearing Fund
 - (2) JSCC's IRS Clearing Business: Initial Margin, Default Contingency Margin and IRS Clearing Fund
 - (3) JSCC's Listed Products Business: Margin for derivatives, Clearing Fund, Settlement-Facilitating Security Money and Margin for When-Issued Transaction.
- JSCC manages, for (1) and (2), the cash portion of collateral remaining after processing any withdrawal requests from Clearing Participants and Clients on each JSCC business day, and for (3)¹, the cash portion of collateral remaining after setting aside reserves for possible withdrawal requests from Clearing Participants and Clients.

2. Management Method

- JSCC manages such funds in the form of (overnight) secured call loan to Financial Institutions, with JGBs deposited as collateral. For cash collateral worth less than one million yen, and any other cash collateral that cannot be managed with a call loan, JSCC will loan the cash collateral to a Trust Bank with a certain level of creditworthiness¹, or deposits in ordinary deposit accounts².

¹ Management gains related to (3) will be fully put aside for JSCC's settlement guarantee reserves for securities trades and others.

²This refers to a bank engaging in trust businesses, which have ratings from either of the following credit ratings agencies: Japan Credit Rating Agency, Ltd., Rating and Investment Information, Inc., Moody's Japan, Nippon Standard & Poor's K.K., and Fitch Ratings Japan Ltd. A Trust Bank must also have a rating of higher than BBB- at the lowest level and maintain a sufficient level of credit standing, financial condition and business capability for performing trust operations.

³ For collateral posted by a Customer of a Clearing Participant which is a Futures Commission Merchant, as specified in U.S. Commodity Exchange Act, JSCC will manage such collateral through ordinary deposit accounts at a Trust Bank, where collateral is deposited under CFTC Regulation 1.49.