

## Policies for Management of Posted Collateral

February 24, 2014

Amended on November 11, 2014

Amended on April 1, 2024

Amended on January 6, 2025

Amended on May 30, 2025

Amended on August 1, 2025

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

- (1) JSCC manages the cash portion of collateral, deposited against the following requirements<sup>12</sup>:
  - a. JSCC's CDS Clearing Business: Initial Margin, Default Contingency Margin and CDS Clearing Fund;
  - b. JSCC's IRS Clearing Business: Initial Margin, Default Contingency Margin and IRS Clearing Fund, excluding those posted in the form of USD cash;
  - c. JSCC's IRS Clearing Business: Initial Margin, Default Contingent Margin and IRS Clearing Fund, only those posted in the form of USD cash; and
  - d. JSCC's Listed Products Business: Margin for derivatives, Clearing Fund, Settlement-Facilitating Security Money and Margin for When-Issued Transaction
- (2) JSCC manages, for a., b. and c. in the preceding item, the cash portion of collateral remaining after deducting any withdrawal requests from Clearing Participants and Clients on each JSCC business day, and for d. in the preceding item, the cash portion of collateral remaining after setting aside reserves for possible withdrawal requests from Clearing Participants.

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<sup>1</sup> For a., b. and d., collaterals held in money trust to a trust bank are the subject of the collateral management.

<sup>2</sup> For d., the portion of collaterals for which Clearing Participants have given notification of the Specified Management (as set forth in Business Rules, Rules on Margins, etc. for Futures and Option Contracts, Business Rules on Business of Assuming Commodity Transaction Debts and Rules on Margin for Business of Assuming Commodity Transaction Debts) is the subject of the management.

## 2. Management of Method

- (1) As to Paragraph 1, Item (1) a. and b., the amount to be set aside as reserves for Clearing Participants' possible withdrawal requests shall be held in an ordinary savings account at a trust bank with a certain creditworthiness<sup>3</sup> (simply referred to as "Trust Bank" in this Paragraph). The amount remaining after deduction of the reserves for possible withdrawal requests shall be managed in the form of (overnight) secured call loan or reverse repo transactions backed by JGBs to or with financial institutions, loan to or time deposit at a Trust Bank, or investment in JGBs<sup>4</sup>.
- (2) As to Paragraph 1, Item (1), c., JSCC manages the funds through reverse repo transactions backed by US Treasuries or US Government Guaranteed Bonds with financial institutions, loan to the banking account of, or deposit in ordinary savings account at, the Trust Bank or its affiliates or the bank designated by JSCC for delivery and receipt of collaterals under Paragraph 1, Item (1), c. that is sufficiently creditworthy<sup>5</sup>, or deposit in the custody account of the Trust Bank or its affiliates<sup>6</sup>.
- (3) As to Paragraph 1, Item (1) d., JSCC manages such funds with reverse repo transactions with financial institutions backed by JGBs<sup>7</sup>.

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<sup>3</sup> This refers to a trust bank, which has ratings of BBB- or above related to its ability to meet its long-term debt obligations from any of the credit rating agencies (referring to "credit rating agencies" defined in Article 2, Paragraph 36 of the Financial Instruments and Exchange Act) or their specified associated corporations (referring to "specified associated corporation" defined in Article 116-3, Paragraph 2 of the Cabinet Office Order on Financial Instruments Business), and maintains a sufficient level of credit standing, financial condition and business capability for performing trust operations.

<sup>4</sup> 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

<sup>5</sup> This refers to a commercial bank, which have ratings of BBB- or above related to its ability to meet its long-term debt obligations from any of the credit rating agencies (referring to "credit rating agencies" defined in Article 2, Paragraph 36 of the Financial Instruments and Exchange Act) or their specified associated corporation (referring to "specified associated corporation" defined in Article 116-3, Paragraph 2 of the Cabinet Office Order on Financial Instruments Business), and maintains a sufficient level of credit standing and financial condition and has stable operational processing capability.

<sup>6</sup> Same as Footnote 4.

<sup>7</sup> If cash that cannot be invested in reverse repo transaction arises, the said cash will be managed in a current account at commercial banks.