

Conversion of LIBOR Referencing IRS to Standard OIS

March 26, 2021

Japan Securities Clearing Corporation

Item	Description	Remarks
<p>1. Outline</p> <p>(1). Conversion</p>	<ul style="list-style-type: none"> • Convert JSCC Cleared Contracts whose Floating Rate Option is JPY-LIBOR to those referencing TONA(OIS) with spread. 	<ul style="list-style-type: none"> • All Cleared Contracts, including Client trades, whose Floating Rate Option is JPY-LIBOR will be subject to the conversion. • To be converted to standard TONA(OIS) trades, with compounding (fixing in arrears) and Delayed Payment (2 days). • We will consider the spread calculation method separately. (As an example, we may apply the Fallback Rate calculation method pursuant to ISDA Fallback provisions to each Floating Rate Option.) • There will be no compounding of the spread itself for each rate calculation period. • None of Lookback method, Lockout method or Observation Period Shift method, introduction

Item	Description	Remarks
(2). Conversion Timing	<ul style="list-style-type: none"> ▪ A specific timing on or before December 31, 2021, the Index Cessation Effective Date for JPY-LIBOR defined in ISDA 2006 Definitions and the like. 	<p>of which to ISDA Definitions as new convention is currently under consideration, will apply to the converted trades.</p> <ul style="list-style-type: none"> ▪ See Annex for illustration of OIS conversion. ▪ Expecting implementation during weekend. In this case, LIBOR referencing Cleared Contracts existing as of the close of business on Friday (Conversion Base Date) are converted to TONA(OIS) referencing trades after the close of business on the Friday. ▪ specific conversion timing is to be determined taking into consideration handling at other CCPs, etc.
(3). Handling of Present Value Variation Associated with Conversion	<ul style="list-style-type: none"> ▪ To cover NPV variation associated with the conversion, the amount equivalent to present value variation will be settled. ▪ The amount equal to the variation will be added to Variation Margin (VM) and other cash settlement amount and paid/received in cash at 	<ul style="list-style-type: none"> ▪ Assuming compensation of small residual difference arising from spread adjustment in 1. (1) above.

Item	Description	Remarks
	11:00 a.m. on the 2 nd business day following the Conversion Base Date.	
<p>2. Details of Conversion Method</p> <p>(1). Handling of Conversion</p> <p>(2). Roll Date / Coupon Calculation Period</p> <p>(3). Payment Date</p> <p>(4). Handling of Calculation Period</p>	<ul style="list-style-type: none"> ▪ Cleared Contracts containing LIBOR referencing leg will be unwound and new replacement OIS Cleared Contracts will come into existence. ▪ Keep the same terms as Cleared Contracts before conversion. ▪ Change original Payment Date on LIBOR leg of the subject trades so that Payment Date will be 2 business days after calculation period end date (Delayed Payment.) ▪ Even in the case where LIBOR applicable to the relevant calculation period has been 	<ul style="list-style-type: none"> ▪ To keep consistency of coupon calculation period, OIS trades whose Business Convention of Effective Date is None will be eligible for clearing. ▪ Payment Date of non-LIBOR leg is considered to remain unchanged. ▪ Initial Fixing Rate will be N/A according to requirements for eligible OIS.

Item	Description	Remarks
<p>during which Conversion Base Date Exists</p>	<p>published before conversion, cashflow of LIBOR referencing leg whose Payment Date has not arrived as of the Conversion Base Date shall be calculated and settled as TONA-OIS referencing leg.</p>	
<p>(5). Handling of Fees</p>	<ul style="list-style-type: none"> ▪ If there is a fee payable upon maturity under a trade subject to conversion, such fee will be transferred to the converted trade. 	
<p>3. Other (1). Handling of LIBOR Referencing Basis Swaps, etc.</p>	<ul style="list-style-type: none"> ▪ In case of LIBOR curve basis swaps (e.g., LIBOR vs ZTIBOR), LIBOR leg is converted to TONA (OIS) referencing leg. ▪ In case of LIBOR tenor basis swaps (LIBOR6M vs LIBOR3M) and LIBOR vs OIS basis swaps, they will be converted to OIS vs OIS basis swaps. 	<ul style="list-style-type: none"> ▪ OIS vs ZTIBOR and OIS vs DTIBOR basis swaps will become eligible for clearing. ▪ Trade affirmation platform needs to be capable of handling OIS vs OIS basis swaps and JSCC needs to accept them as eligible trades for clearing. ▪ Spreads existed before conversion will be changed in association with OIS conversion.

Item	Description	Remarks
(2). Handling of LIBOR Trades	<ul style="list-style-type: none"> · Will become ineligible for clearing on and after the next business day following Conversion Base Date. 	<p>Moreover, in case of LIBOR tenor basis swaps and LIBOR vs OIS basis swaps, (because, in case of LIBOR vs OIS basis swaps, spread is generally added on OIS leg) we assume that spreads will exist on both legs as a result of OIS conversion.</p> <ul style="list-style-type: none"> · In addition, amortizing OIS and OIS with stub will also be eligible for clearing. · Even on and after Index Cessation Effective Date, IRS with Floating Rate Option of Fallback Rate (TONA) defined by ISDA will be ineligible for clearing. · In such case, LIBOR referencing swaps to come into effect as a result of a swaption exercise on and after the next business day following Conversion Base Date will become ineligible for clearing. So, the parties to the original trade should make an advance arrangement so that the trade to become effective as a result of an option exercise will be OIS before applying for

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(3). Fee	<ul style="list-style-type: none"> • To be discussed 	<p>clearing to JSCC, or make other arrangement, such as cash settlement, without clearing at JSCC.</p> <ul style="list-style-type: none"> • For example, fees according to number of trades to be unwound and to become effective as a result of the conversion may be considered.

Note: The above contents are subject to change in the future.

Examples of Conversion of LIBOR Trade to TONA-OIS

<As of March 26, 2021>

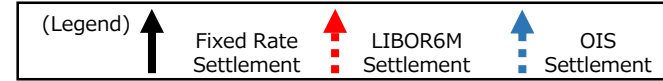
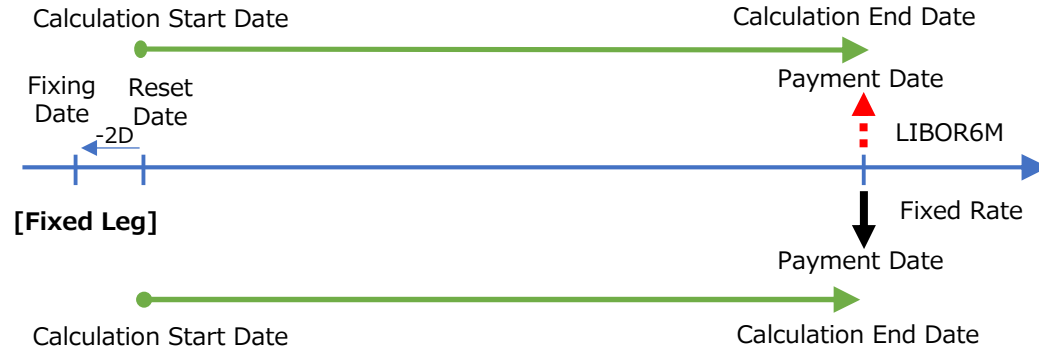
*The contents of this document are subject to change in the future.

Annex

1. LIBOR vs Fixed to OIS vs Fixed

[Before Conversion] LIBOR6M vs Fixed

[LIBOR6M]

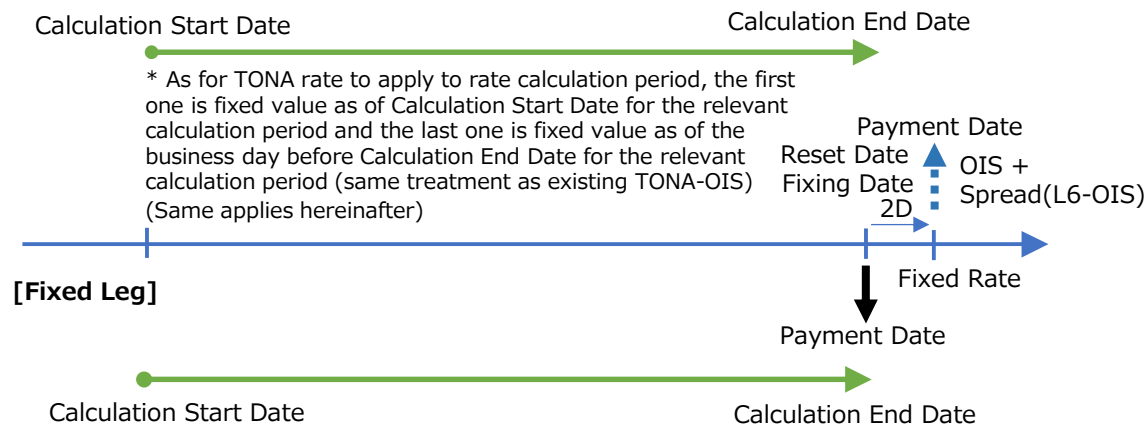


	LIBOR6M	Fixed
Rate	JPY-LIBOR-BBA	X%
Spread	-	-
Payment Frequency	SA	SA
Day Count Fraction	Act/360	Act/365
Payment Date Business Centers	JPTO, (GBLO)	JPTO, (GBLO)
Fixing Date Business Centers	GBLO, (JPTO)	-
Payment Offset Lag	0D	0D

* Items in brackets are optional

[After Conversion] OIS + Spread(L6-OIS) vs Fixed

[OIS Leg]



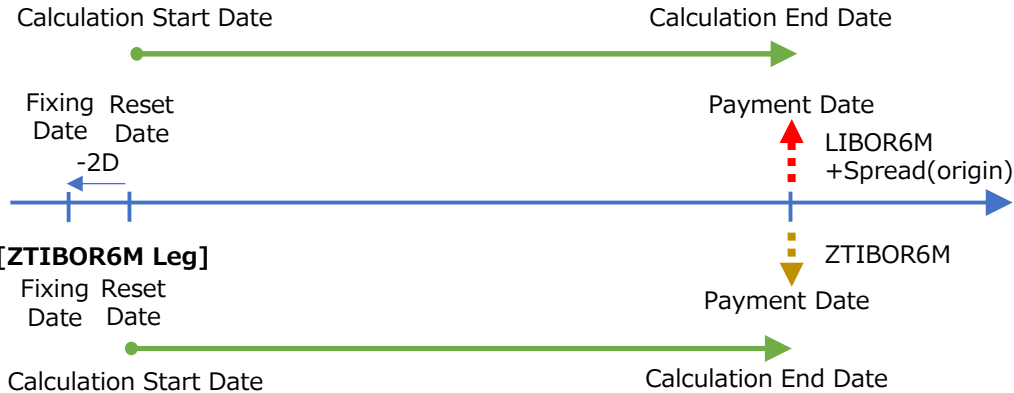
	OIS	Fixed
Rate	JPY-TONA-OIS-COMPOUND	X%
Spread	Spread(L6-OIS)	-
Payment Frequency	SA	SA
Day Count Fraction	Act/365	Act/365
Payment Date Business Centers	JPTO, (GBLO)	JPTO, (GBLO)
Fixing Date Business Centers	JPTO	-
Payment Offset Lag	2D	0D

* Items with economic term change associated with OIS conversion are shown in **bold/underline**

2. LIBOR vs TIBOR to OIS vs TIBOR

[Before Conversion] LIBOR6M + Spread(origin) vs ZTIBOR6M

[LIBOR6M Leg]



[ZTIBOR6M Leg]

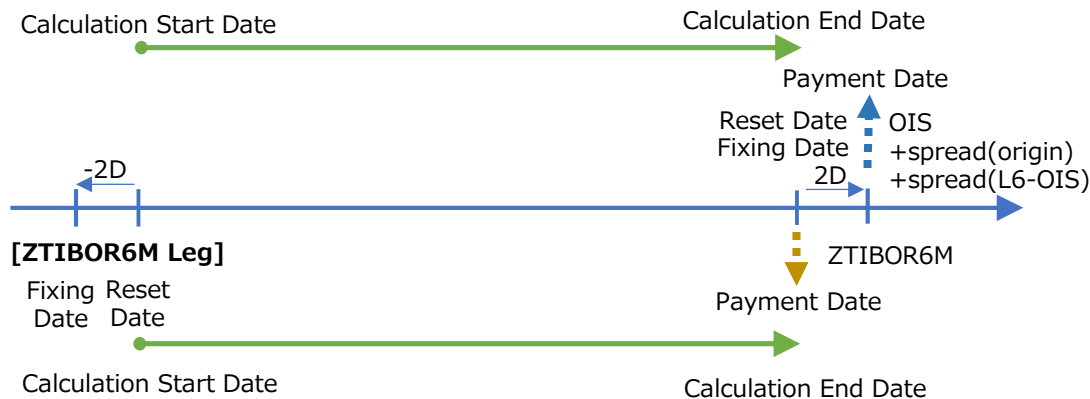
(Legend)	LIBOR6M Settlement	ZTIBOR6M Settlement	OIS Settlement
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	LIBOR6M	ZTIBOR6M
Rate	JPY-LIBOR-BBA	JPY-TIBOR-ZTIBOR
Spread	Spread(origin)	-
Payment Frequency	SA	SA
Day Count Fraction	Act/360	Act/360
Payment Date Business Centers	JPTO, (GBLO)	JPTO, (GBLO)
Fixing Date Business Centers	GBLO, (JPTO)	JPTO, (GBLO)
Payment Offset Lag	0D	0D

* Items in brackets are optional

[After Conversion] OIS + Spread(origin) + Spread(L6-OIS) vs ZTIBOR6M

[OIS Leg]



[ZTIBOR6M Leg]

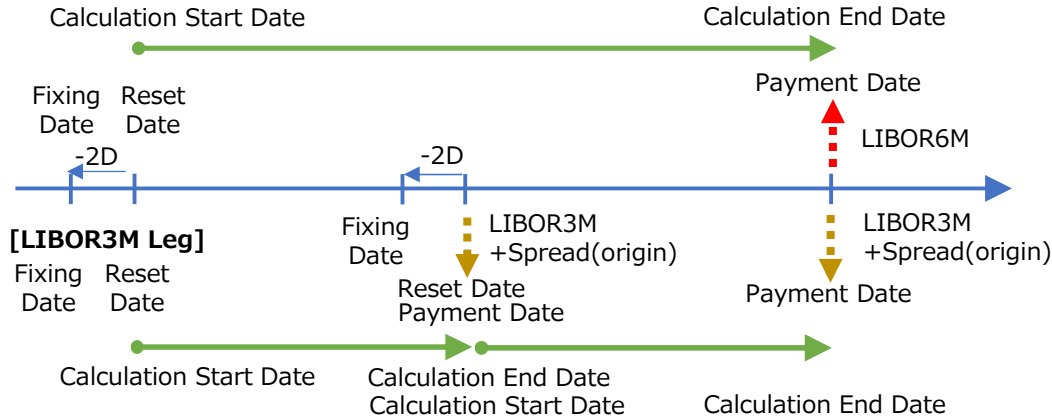
	OIS	ZTIBOR6M
Rate	JPY-TONA-OIS-COMPOUND	JPY-TIBOR-ZTIBOR
Spread	Spread(origin) + Spread(L6-OIS)	-
Payment Frequency	SA	SA
Day Count Fraction	Act/365	Act/360
Payment Date Business Centers	JPTO, (GBLO)	JPTO, (GBLO)
Fixing Date Business Centers	JPTO	JPTO, (GBLO)
Payment Offset Lag	2D	0D

* Items with economic term change associated with OIS conversion are shown in **bold/underline**

3. LIBOR vs LIBOR to OIS vs OIS

[Before Conversion] LIBOR6M vs LIBOR3M + Spread(origin)

[LIBOR6M Leg]



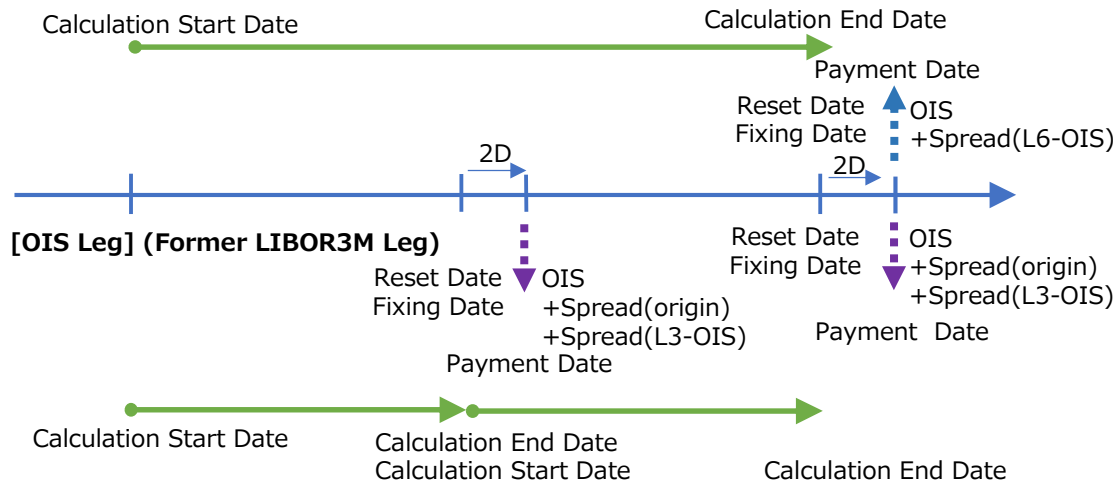
(Legend)	LIBOR6M Settlement	LIBOR3M Settlement	OIS (6M) Settlement	OIS (3M) Settlement
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	LIBOR6M	LIBOR3M
Rate	JPY-LIBOR-BBA	JPY-LIBOR-BBA
Spread	-	Spread(origin)
Payment Frequency	SA	QTR
Day Count Fraction	Act/360	Act/360
Payment Date Business Centers	JPTO, (GBLO)	JPTO, (GBLO)
Fixing Date Business Centers	GBLO	GBLO
Payment Offset Lag	0D	0D

* Items in brackets are optional

[After Conversion] OIS + Spread(L6-OIS) vs OIS + Spread(origin) + Spread(L3-OIS)

[OIS Leg] (Former LIBOR6M Leg)



	OIS	OIS
Rate	<u>JPY-TONA-OIS-COMPOUND</u>	<u>JPY-TONA-OIS-COMPOUND</u>
Spread	<u>Spread(L6-OIS)</u>	<u>Spread(origin) + Spread(L3-OIS)</u>
Payment Frequency	SA	QTR
Day Count Fraction	<u>Act/365</u>	<u>Act/365</u>
Payment Date Business Centers	JPTO, (GBLO)	JPTO, (GBLO)
Fixing Date Business Centers	<u>JPTO</u>	<u>JPTO</u>
Payment Offset Lag	<u>2D</u>	<u>2D</u>

* Items with economic term change associated with OIS conversion are shown in **bold/underline**