Concept of Accounts for IRS regarding OTC Clearing System

1. Control over the Clearing

JSCC will control cleared trades on JSCC account set by BIC Code on MarkitWire if submitted for Clearing via MarkitWire and on JSCC account set by "LEI+BookID" if submitted for Clearing via a platform other than MarkitWire.

(1) When MarkitWire is Used

＜1st Layer Account＞

: Account to manage all balance of IRS clearing member.

＜2nd Layer Account＞

: House Account (only ONE) for a member and

Customer Account(s) (for Affiliates and Clients) (multiple accounts allowed).
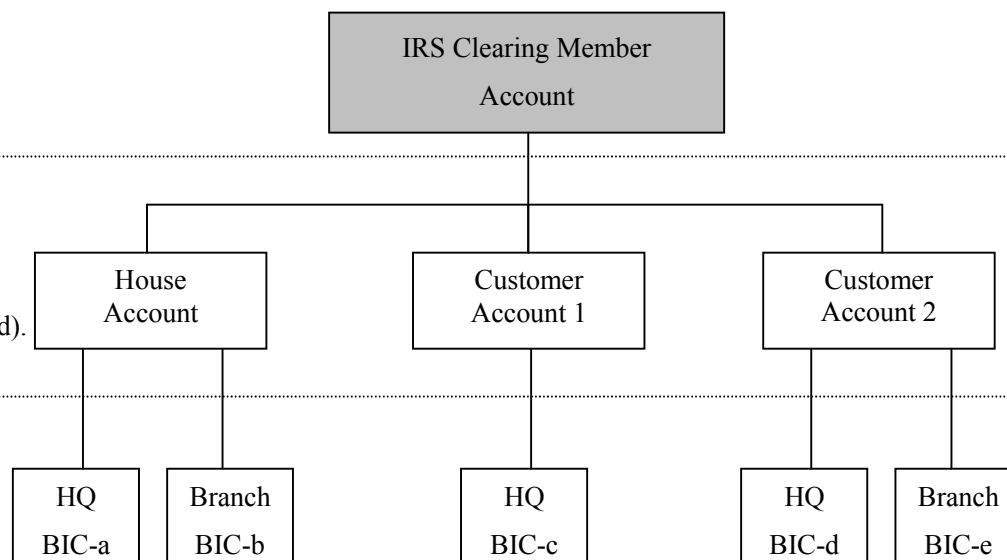
＜3rd Layer Account＞

: Account to manage trades within a house account or a customer account.
Setting up of accounts per BIC code of MarkitWire is allowed.
  (Assuming a unique BIC code for each HQ and branches.)
(Multiple BIC Codes can be used as Clearing Broker
(e.g., BIC-a、 BIC-b))

IRS Clearing Member Account

House Account	Customer Account 1	Customer Account 2

HQ BIC-a	Branch BIC-b	HQ BIC-c	HQ BIC-d	Branch BIC-e

（2） When a Platform other than MarkitWire is Used

＜1st Layer Account＞
 : Account to manage all balance of IRS clearing member.
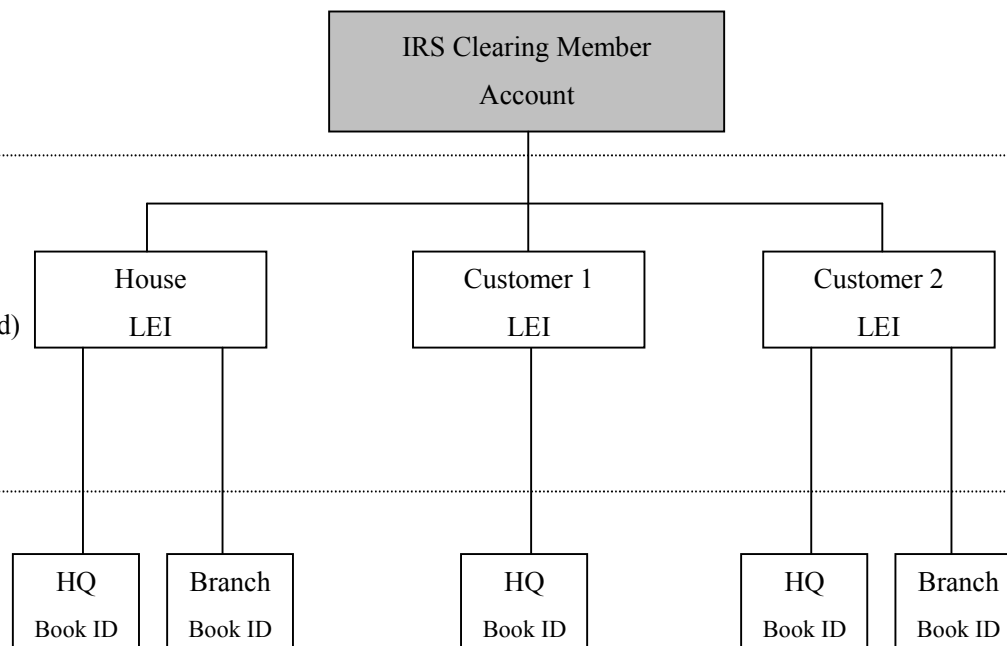
＜2nd Layer Account＞
 : House Account (only ONE) for a member and
   Customer Account(s) (for Affiliates and Clients) (multiple accounts allowed)
   LEI (Legal Entity Identifier) of each account should be notified
   to JSCC

＜3rd Layer Account＞
 : Account to manage trades within a house account or a customer account.
   Setting up of accounts per Book ID is allowed.
   * Book ID is set as "Participant Code (5 digits code) + IRS +
     House/Customer Classification (H for House, C for Affiliates and Clients)
      + 2nd Layer Name (3 digits code) + 3rd Layer Name (3 digits code only)"
   * Trades can be controlled on one JSCC account regardless of
   where the trades were submitted from, by setting both BIC Code on
   MarkitWire and Book ID for the same account.

2. Calculating the Required Margin Amount

- Calculation of required margin will be performed at the 2nd Layer.
- Total of the house account margin and customer account margin at the 2nd layer will be the overall required margin to be deposited with JSCC.
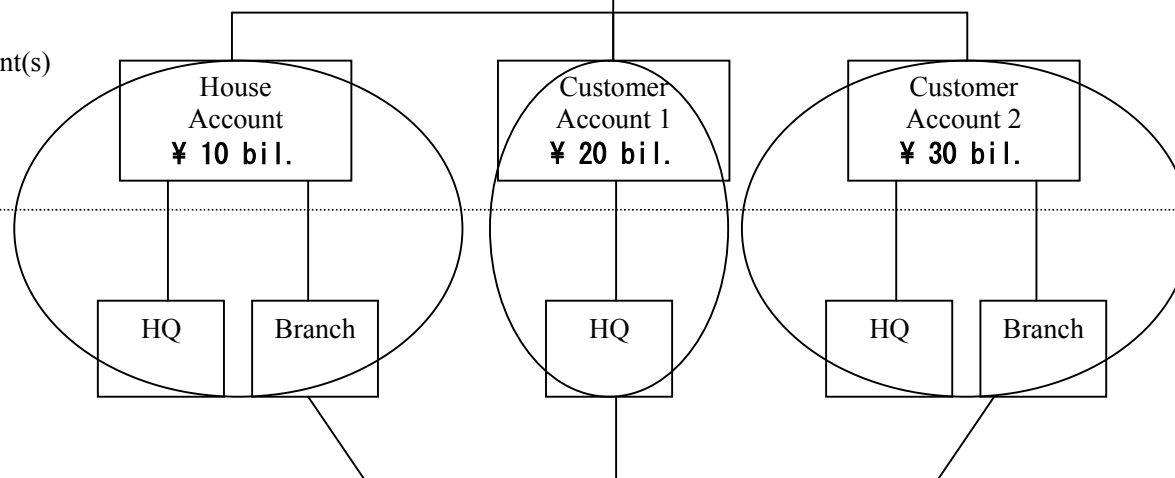
＜1st Layer Account＞

: Required margin amount to be deposited to JSCC by the IRS clearing member.
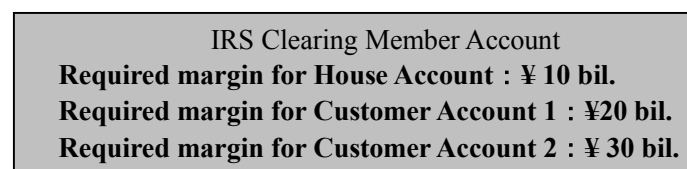
＜2nd Layer Account＞

: Required margin calculated for all trades in the 3rd layer account(s) associated with their respective 2nd layer account.

＜3rd Layer Account＞

IRS Clearing Member Account
Required margin for House Account : ￥10 bil.
Required margin for Customer Account 1 : ￥20 bil.
Required margin for Customer Account 2 : ￥30 bil.

House Account ￥10 bil.

Customer Account 1 ￥20 bil.

Customer Account 2 ￥30 bil.

HQ   Branch

HQ

HQ   Branch

Where multiple accounts are set up in the 3rd layer, the required margin will be calculated at the 2nd layer based upon all trades in the related 3rd layer account (risk across 3rd layer accounts will be netted).