

June 14, 2022

Risk Appetite Statement

Japan Securities Clearing Corporation

The Risk Appetite Statement (hereinafter referred to as “RAS”) puts into writing, for clarification, JSCC’s attitude towards its risk management and risk appetite.

In light of the requirements and expectations of various stakeholders, including the Clearing Participants, clients, supervisory authorities, and its officers and employees, JSCC sets forth a RAS as follows:

(1) Credit Risk / Liquidity Risk

JSCC accepts credit and liquidity risk up to the levels determined in consideration of features of each clearing business and Clearing Participant attributes, whilst observing all applicable laws, ordinances, and regulations, including guidance from all relevant authorities, and whilst taking account of the fact that the emergence of systemic risks caused by credit and liquidity risks in JSCC’s clearing businesses could cause a problem to the wider financial system.

JSCC works to manage credit and liquidity risk, by preparing ex ante responsive measures and taking prompt actions, to maintain the level of risk within the range set forth below.

(i) Prefunded Financial Resources

The level of prefunded financial resources is set to cover losses resulting from the default of the number of Clearing Participants with the largest exposures specified below, during stressed market conditions.

Listed Cash Products	Listed Financial Derivatives	Listed Commodity Derivatives(excluding Petroleum Futures)	Listed Commodity Derivatives(only Petroleum Futures)	CDS	IRS	OTC JGB
2	2	1 and 5 financially weakest firms	2	2	2	2

(ii) Margin

The level of margin is set to cover the cost of a Clearing Participant's default, at least to the Confidence Level specified below, during normal market conditions.

Listed Cash Products	Listed Financial Derivatives	Listed Commodity Derivatives	CDS	IRS	OTC JGB
99%	99%	99%	99.5%	99.5%	99%

(iii) Liquidity Resources

The level of secured liquidity resources is set to cover the liquidity requirements following the default of the number of Clearing Participants with the largest cash settlements specified below, during stressed market conditions.

Listed Cash Products	Listed Financial Derivatives	Listed Commodity Derivatives	CDS	IRS	OTC JGB
2	2	2	2	2	2

(2) Other Risks

JSCC will make efforts to mitigate operational, system, settlement, custody, investment, concentration, regulatory, legal, and business risks, as well as risks associated with anti-social forces and business management.

JSCC understands that due its function as a financial market infrastructure, an event that makes it impossible for JSCC to continue its business operations could cause a systemic risk to the wider financial markets.

Therefore, JSCC will make every effort to minimize the potential impact of these risks by setting forth preventive measures against the emergence of these risks, as well as to take prompt responsive measures upon emergence of these risks.

(3) Business Continuity Structure

JSCC will make every effort to conduct backup operations and achieve early recovery based on the procedures and roles in the event of an emergency situation prescribed by

the BCP Basic Plan so that it can continue business activities as a financial market infrastructure to the greatest extent possible when various risks emerge.