

Rules on Due Bills



Japan Securities Clearing Corporation

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Rules on Due Bills
(In effect as of 18 January 2021)

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(Article 1 Purpose)

These Rules set forth the matters necessary for due bills in accordance with the provisions of Article 64-3 of the Business Rules.

(Article 2 Collection of Authentication Fee)

JSCC shall collect an authentication fee of 500 yen per issue of due bills, together with the corresponding consumption tax and local consumption tax, from a delivering Securities Clearing Participant issuing the due bill; provided, however, that the foregoing shall not apply in exceptional cases where JSCC deems it unnecessary.

(Article 3 Due Bill Issuance Procedures, etc.)

Issuance of due bills shall be executed by way of the relevant delivering Securities Clearing Participant, etc. ^{*1} notifying JSCC of the issue and quantity of the securities pertaining to such due bill, the name of the DB-Receiving Securities Clearing Participant^{*2}, the reasons for such issuance and other matters JSCC deems necessary, and such issuance shall be deemed to be the delivery of the due bill from the relevant delivering Securities Clearing Participant, etc. to JSCC and from JSCC to the relevant receiving Securities Clearing Participant, etc.^{*3}.

(^{*1} a delivering Securities Clearing Participant and a delivering ETF Special Clearing Participant; the same applies hereinafter)

(^{*2} a DB receiving Securities Clearing Participant and a DB receiving ETF Special Clearing Participant; the same applies hereinafter)

(^{*3} a receiving Securities Clearing Participant and a receiving ETF Special Clearing Participants)

(Article 4 Payment of Deposit)

A delivering Securities Clearing Participant issuing a due bill shall pay JSCC the amount equivalent to the price for the buying/selling of the relevant securities as a deposit until it completes the settlement of securities lending/borrowing pertaining to the relevant due bill. In such case, the Securities Clearing Participant paying such deposit shall make a remittance to the account held in the name of JSCC at the bank which is selected by the Securities Clearing Participant from the banks designated by JSCC.

(Article 5 Collection of Securities Borrowing Fee)

1 The delivering Securities Clearing Participant, etc. issuing a due bill shall pay JSCC, as a securities borrowing fee, 0.04 yen per day per 100 yen of the funds which are deposited with JSCC pursuant to the provisions of the preceding Article^{*1}

JSCC shall deliver the securities borrowing fee to the DB-Receiving Securities Clearing

Participant.

(*¹ with respect to a delivering ETF Special Clearing Participant, the funds to be deposited, when the provision in the preceding Article is applied)

2 Upon the calculation of the securities borrowing fee in the preceding Paragraph, any fraction less than 1 yen shall be rounded down.

3 The calculation period in respect of the securities borrowing fee shall be from the day immediately following the due bill issuance day to the day on which the settlement of securities lending/borrowing pertaining to the relevant due bill is completed*¹; provided, however, that if a delivering Securities Clearing Participant, etc. has completed the settlement of securities lending/borrowing within the due bill issuance day, such calculation period shall be counted as one day.

(*¹ Including holidays)

(Article 6 Written Notice Regarding Delivery of Dividends or Rights)

In the cases prescribed in the proviso of Paragraph 3 of Article 64 of the Business Rules and where the relevant DB-Receiving Securities Clearing Participant has agreed that the settlement of securities lending/borrowing pertaining to due bills to be carried out after the day immediately preceding the day listed in Item (1) or Item (4) of the same Paragraph, the relevant delivering Securities Clearing Participant, etc. shall, upon the settlement of securities lending/borrowing, deliver the prescribed "Written Notice Regarding Delivery of Dividends or Rights, etc." to the DB-Receiving Securities Clearing Participant, etc.; provided, however, that the foregoing shall not apply in the case where such settlement of the lending/borrowing of securities is carried out on the day set forth in Item (1) of the same Paragraph pursuant to the provisions of the main clause of Item (1) of Paragraph 1 of Article 9.

(Article 7 Settlement and Payment of Residual Shares Less than One Trading Unit)

In the case where the "Written Notice Regarding Delivery of Dividends or Rights, etc." is delivered pursuant to the provisions of the preceding Article, with respect to the rights to be delivered by the delivering Securities Clearing Participant, etc. corresponding to the shares less than one trading unit*¹*², the delivering Securities Clearing Participant, etc. shall pay to the DB-Receiving Securities Clearing Participant, etc. the amount obtained by multiplying the purchase price of such Residual Shares Less Than One Trading Unit offered by the issuing company in the case that a purchase request is made, on the day on which such purchase request to such issuing company becomes possible, by the number of such Residual Shares Less Than One Trading Unit; provided, however, that the foregoing shall not apply in the case where the delivering Securities Clearing Participant, etc. and the DB-Receiving Securities Clearing Participant, etc. otherwise agree on the handling of rights

pertaining to Residual Shares Less Than One Trading Unit.

(*¹ referring to the trading unit prescribed by a Designated Market Operator)

(*² hereinafter referred to as "Residual Shares Less Than One Trading Unit")

(Article 8 Accrued Interest on Bonds, etc.)

A delivering Securities Clearing Participant which issues a due bill upon delivery of an interest-bearing bond, an interest-bearing Convertible Bond or an interest-bearing Exchangeable Corporate Bond shall not be entitled to claim for accrued interest for the period from the day immediately following the relevant due bill issuance day against either JSCC or any DB-Receiving Securities Clearing Participant, etc.

(Article 9 Settlement Procedures for Securities Lending/Borrowing Pertaining to Due Bill)

- 1 If a delivering Securities Clearing Participant, etc. issuing a due bill makes settlement of securities lending/borrowing pertaining to the relevant due bill, it shall notify JSCC to that effect in accordance with the procedures prescribed by JSCC.
- 2 The provisions of Paragraph 2 of Article 56 of the Business Rules shall apply *mutatis mutandis* to the settlement of securities lending/borrowing pertaining to a due bill.
- 3 The notification prescribed in Paragraph 1 shall be made within 20 minutes after the cutoff time for Non-DVP Settlement in the case of stocks and Convertible Bonds*¹ issued by domestic corporations, and within 30 minutes after the settlement cutoff time in the case of other securities.

(*¹ excluding Convertible Bonds Not Handled by JASDEC)

Supplementary Provisions

- 1 These Rules shall come into effect on January 14, 2003.
- 2 The convertible bonds or the corporate bonds with stock acquisition rights for which the provisions then in force still remain applicable pursuant to the provisions of Paragraph 1 of Article 7 of the Supplementary Provisions of the Law Partially Amending the Commercial Code, Etc. (Law No. 128 of 2001)*¹ shall be treated as Convertible Bonds or corporate bonds with stock acquisition rights that are not Convertible Bonds, respectively, and these Rules shall be applied to them accordingly.
(*¹ hereinafter referred to as the “Law Amending Commercial Code, Etc.” in this Supplementary Provisions)
- 3 The certificate of subscription rights, which is issued in conjunction with the corporate bonds with stock acquisition rights set forth in the immediately preceding Paragraph pursuant to Paragraph 1 of Article 341-13 of the Commercial Code as it existed prior to the amendment made under the Law Amending Commercial Code, Etc., shall be regarded as a certificate of stock acquisition rights, and these Rules shall be applied to it accordingly.

Supplementary Provisions

These revised Rules shall come into effect on February 2, 2004.

Supplementary Provisions

These revised Rules shall come into effect on April 1, 2004.

Supplementary Provisions

These revised Rules shall come into effect on June 10, 2005.

Supplementary Provisions

- 1 These revised Rules shall come into effect on January 10, 2006.
- 2 With respect to the bonds*¹ which are actually listed on the designated securities markets at the time when these revised Rules come into effect, such revised provisions shall apply to settlement in respect of which the date of settlement is on or after the day designated by JSCC as the date for JASDEC to commence handling of such bonds in its book-entry transfer business.
(*¹ excluding Japanese Government Bonds, corporate bonds with stock acquisition rights,

etc., and Exchangeable Corporate Bonds)

Supplementary Provisions

- 1 These revised Rules shall come into effect on January 30, 2006.
- 2 With respect to the settlement of securities lending/borrowing pertaining to Due Bills which have been actually issued as at the time these revised Rules come into effect, the provisions heretofore in force shall remain applicable.

Supplementary Provisions

These revised Rules shall come into effect on May 1, 2006.

Supplementary Provisions

These revised Rules shall come into effect on April 1, 2008.

Supplementary Provisions

These revised Rules shall come into effect on January 5, 2009.

Supplementary Provisions

1. These revised Rules shall come into effect on July 16, 2019, and will apply to the due bills issued on and after the effective date of these revisions.
2. Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Rules to apply, due to an occurrence of a system failure to the systems set up by JSCC, which are necessary to conduct the settlement of Contracts for Clearing between JSCC and a Clearing Participant, or some other unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than July 16, 2019.

Supplementary Provisions

1. These revised Rules shall come into effect on January 18, 2021, and will apply to the due bills issued on and after the effective date of these revisions.
2. Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Rules to apply, due to an occurrence of a system

failure to the systems set up by JSCC, which are necessary to conduct the settlement of Contracts for Clearing between JSCC and a Clearing Participant, or some other unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than January 18, 2021.

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