

Handling of Rules on Margin for Business of Assuming Commodity Transaction Debts



Japan Securities Clearing Corporation

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**Handling of Rules on Margin for Business of Assuming Commodity Transaction Debts
(In effect as of December 11, 2023)**

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(Article 1. Purpose)

These Rules set forth the matters to be prescribed by JSCC pursuant to the Rules on Margin for Business of Assuming Commodity Transaction Debts^{*1} as well as the matters necessary for the implementation of the Rules on Margin.

(*1 hereinafter referred to as the "Rules on Margin")

(Article 1-2 Calculation Method of Expected Loss Amount)

The method prescribed by JSCC as set forth in Item (1) of Article 4, Paragraph 1 of Article 12-2, and a (a) of Appendix 2 of the Rules on Margins shall be the method set forth in Appendix 1 "Table Concerning Calculation of Expected Loss Amount".

(Article 2. Risk Amount and Threshold for Judgment to be Used for Judgment of Whether or Not to Increase Amount Required for Margin)

1 The value to be prescribed by JSCC as risk amount and the threshold for judgment to be prescribed by JSCC as set forth in Paragraph 1 through Paragraph 3 of Article 8 of the Rules on Margin shall be the values to be obtained as per Appendix 1-2 "Table Concerning Calculation of Risk Amount and Threshold for Judgment to be Used for Judgment of Whether or Not to Increase Amount Required for Margin" according to the criteria listed below:

- (1) Liquidity criteria; and
- (2) Concentration criteria.

2 JSCC calculates the threshold for judgment as set forth in the preceding Paragraph monthly as of the last day of the previous month^{*1} as the base date for calculation and publish it on the first day^{*2} of the relevant month.

(*1 if such day falls on a Non-Business Day, it shall be the immediately preceding Business Day)

(*2 if such day falls on a Non-Business Day, it shall be the immediately following Business Day)

3 The threshold for judgment published pursuant to the provisions of the preceding Paragraph shall apply from the third day^{*1} of the relevant month.

(*1 excluding Non-Business Days; the same applies hereinafter when counting the number of days)

4 The amount of add-on charge when the measures of increasing an amount required for the Margin are taken pursuant to the provisions of Paragraph 1 through Paragraph 3 of Article 8 of the Rules on Margin shall be the amount obtained as per Appendix 2 "Table Concerning Calculation of Add-on Charge to Amount Required for Margin when Measures

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of Increasing Amount Required for Margin are Taken."

(Article 3. Default Contingent Margin)

1 The amount of the Default Contingent Margin considered to be owed by a Clearing Participant as set forth in Paragraph 1 of Article 9 of the Rules on Margin shall be the amount obtained by subtracting the Applicable Required Clearing Fund from the Calculatory Required Clearing Fund. In such case, the terms used above shall have the meanings set forth in the following items:

(1) Calculatory Required Clearing Fund

The required amount of clearing fund calculated pursuant to the provisions of Paragraph 1 of Article 68 of the Business Rules on Business of Assuming Commodity Transaction Debts without an application of the special provisions for clearing fund for Default Settlement Period under the provisions of Article 69 of the Business Rules on Business of Assuming Commodity Transaction Debts.

(2) Applicable Required Clearing Fund

The required amount of clearing fund for Default Settlement Period pursuant to the provisions of Article 69 of the Business Rules on Business of Assuming Commodity Transaction Debts.

2 An increase of the required amount of the Margin set forth in Paragraph 1 of Article 9 of the Rules on Margin shall be triggered when the amount of the Default Contingent Margin set forth in the preceding Paragraph becomes a positive value.

3 When the amount of the Default Contingent Margin obtained through a calculation pursuant to the provisions of Paragraph 1 on any day on or after the next day following the day on which the Default Settlement Period commences is less than the amount of the Default Contingent Margin calculated on the previous day during the relevant Default Settlement Period, the amount of the Default Contingent Margin shall be the amount of the Default Contingent Margin calculated on such previous day.

(Article 4. Handling of Foreign Currency)

1 The currencies to be designated by JSCC as set forth in Article 10 of the Rules on Margin shall be Japanese yen and the currency of the United States of America.

2 The certain rate to be prescribed by JSCC as set forth in Article 14, Article 18 and Article 23 of the Rules on Margin shall be 95 percent in the case of the currency of the United States of America.

(Article 4-2 Handling of Amount of Preliminary Margin Add-on)

The rate to be prescribed by JSCC that is to be used for a calculation of the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 12-2 of the Rules on Margins shall be the rate determined by JSCC according to the number of consecutive days that are designated by the Designated Market Operator as the day it opens trading sessions on a Non-Business Day^{*1} and the Clearing Qualification related to the Futures Contracts traded at the market of the Designated Market Operator on the Holiday Trading Day.

(*1 hereinafter referred to as "Holiday Trading Day")

(Article 5. Handling of Cash)

- 1 When a Clearing Participant makes a deposit of the Margin prescribed in Article 12 and Article 13 of the Rules on Margin with JSCC in cash, it shall do so by way of a remittance into the account maintained in the name of JSCC with a bank selected by such Clearing Participant from among the banks designated by JSCC.
- 2 When the cash deposited with JSCC as Margin is returned to the Clearing Participant, it shall be returned by JSCC from the account maintained in its name to the account designated by the Clearing Participant.

(Article 6. Intraday Settlement Prices)

The Intraday Settlement Price to be prescribed by JSCC as set forth in Article 25 of the Rules on Margin shall be, out of the contract prices^{*1} in respective clearing period, the last contract price in the exchange trade immediately prior to the time of calculation of the Intraday Settlement Price; provided, however, that in the event that no such contract price exists, the Intraday Settlement Price shall be the Settlement Price for the immediately preceding trading day^{*2}; provided, further that, when JSCC deems it inappropriate, JSCC shall decide the Intraday Settlement Price at each applicable occasion.

(*1excluding the contract price under Strategy Contracts; the same applies hereinafter)

(*2 for the contract month contract^{*2-1} on the first trading day, the Settlement Price for the contract month contract whose last trading day is the nearest to that of the relevant contract month)

(*2-1 referring to the contract month contracts prescribed by the Designated Market Operator; the same applies hereinafter in this Article)

(Article 7. Conditions under Which Emergency Margin Is Deposited)

- 1 The thresholds to be prescribed by JSCC as set forth in Paragraph 1 of Article 26 of the Rules on Margin shall be the following:

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- (1) With respect to the contract month contracts which are selected by JSCC from the oil Futures Contracts, in the case where the difference between the contract price in the exchange trade immediately prior to 1:00 P.M. and the Intraday Settlement Price exceeds the amount previously prescribed by JSCC;
 - (2) With respect to the contract month contracts which are selected by JSCC from the Gold Futures Contracts, in the case where the difference between the contract price in the exchange trade immediately prior to 1:00 P.M. and the Intraday Settlement Price^{*1} exceeds the amount previously prescribed by JSCC;
(*¹ referring to the intraday settlement price prescribed in Article 20-4 of the Rules on Margins, etc. for Futures and Options Contracts related to the Securities and Similar Contracts Clearing Business of JSCC)
 - (3) With respect to the contract month contracts which are selected by JSCC from the Index Futures Contracts, in the case where the difference between the contract price in the exchange trade immediately prior to 1:00 P.M. and the Intraday Settlement Price^{*1} exceeds the price previously prescribed by JSCC;
(*¹ referring to the intraday settlement price prescribed in Article 20-4 of the Rules on Margins, etc. for Futures and Options Contracts related to the Securities and Similar Contracts Clearing Business of JSCC)
 - (4) With respect to the contract month contracts which are selected by JSCC from the JGB Futures Contracts, in the case where the difference between the contract price in the exchange trade immediately prior to 1:00 P.M. and the Intraday Settlement Price^{*1} exceeds the amount previously prescribed by JSCC;
(*¹ referring to the intraday settlement price prescribed in Article 20-4 of the Rules on Margins, etc. for Futures and Options Contracts related to the Securities and Similar Contracts Clearing Business of JSCC)
- 2 The provisions of Paragraph 1 of Article 20-5 of the Handling of Business Rules concerning JSCC's Securities and Similar Contracts Clearing Business shall apply mutatis mutandis to the contract price in the exchange trade immediately prior to 1:00 P.M. referenced in Item (4) of the preceding Paragraph. In such event, the phrase, "3:02 P.M." in Item (1) of Paragraph 1 of Article 20-5 of the said rules shall be deemed to be "1:00 P.M." and the phrase "the session" in the same Item shall be deemed to be "the Afternoon Session".

(Article 8. Emergency Settlement Prices)

The Emergency Settlement Price to be determined by JSCC as set forth in Article 28 of the Rules on Margin shall be, out of the contract prices in respective clearing period, the last contract price in the exchange trade immediately prior to the time of calculation of the

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Emergency Settlement Price; provided, however, that in the event that no such contract price exists, it shall be the Settlement Price for the immediately preceding trading day^{*1}; provided, further that, when JSCC deems it inappropriate, JSCC shall decide the Emergency Settlement Price at each applicable occasion.

(*1 for the contract month contract^{*1-1} on the first trading day, the Settlement Price for the contract month contract whose last trading day is the nearest to that of the relevant contract month)

(*1-1 referring to the contract month contracts prescribed by the Designated Market Operator; the same applies hereinafter in this Article)

(Article 9. Notification of Position for Customer's Account and Commodity Clearing Transactions)

The cutoff time to be prescribed by JSCC as set forth in Article 33 of the Rules on Margin shall be 7:00 P.M. on the current day.

(Article 10. Notification of Contractual Amounts for LG Contract for Replacement Deposit)

The method of notification of the contractual amount as set forth in Paragraph 1 of Article 52 of the Rules on Margin and necessary matters concerning the LG Contract for Replacement Deposit set forth in Article 54 of the said Rules shall be as per the "Rules on Handling concerning LG Contract for Replacement Deposit."

(Article 11. Notification of Contractual Amount for LG Contract for Direct Deposits)

The method of receiving an approval from JSCC as set forth in Paragraph 1 of Article 55 and Paragraph 1 of Article 56 of the Rules on Margin, the method of notification of the contractual amount as set forth in Paragraph 1 of Article 57 of the said Rules and necessary matters concerning the LG Contract for Direct Deposit as set forth in Article 59 of the said Rules shall be as per the "Rules on Handling concerning LG Contract for Direct Deposit."

(Article 12. Securities in lieu of Cash)

Matters concerning the Securities in lieu of Cash for the Margin, Customer Margin, Brokerage Margin and Clearing Brokerage Margin shall be prescribed in Appendix 3.

(Article 13. Handling of Japanese Government Bonds)

When a Clearing Participant deposits the Japanese Government Bonds described in Paragraph 2 of Appendix 3 with JSCC, the Clearing Participant shall make such deposit by way of a book-entry transfers to the account held in the name of JSCC at the Bank of Japan.

(Article 14. Handling of Stocks, etc.)

1 When a Clearing Participant deposits the securities set forth in the following Items, the Clearing Participant shall make such deposit by way of a book-entry transfer to the account held in the name of JSCC at Japan Securities Depository Center, Inc.:

(1) Stocks, beneficiary securities of investment trusts, beneficiary securities of foreign investment trusts, foreign investment securities, beneficiary securities of beneficiary securities issuing trusts, beneficiary securities of foreign beneficiary securities issuing trusts, bonds^{*1} and Convertible Bonds described in Paragraph 2 of Appendix 3;

(*1 excluding Japanese Government Bonds and bonds with stock acquisition rights)

(2) Investment securities described in Paragraph 2 of Appendix 3 that are listed on any of the domestic Financial Instruments Exchange.

2 JSCC shall entrust the task of submitting to JASDEC reports concerning the deposited securities prescribed in the following Item to the Clearing Participant which has deposited such securities, and the Clearing Participant so entrusted with the task shall submit the relevant reports to JASDEC. In such event, the Clearing Participant so entrusted with the task may cause third parties to submit the relevant reports.

(1) Reports concerning the entrustment status of management for Special Shareholders in connection with stocks issued by domestic corporations;

(2) Reports concerning the entrustment status of management for Special Holders of Beneficiary Securities in connection with investment trust beneficiary securities;

(3) Reports concerning the entrustment status of management for Special Holders of Investment Securities in connection with investment securities; and

(4) Reports concerning the entrustment status of management for Special Holders of Beneficiary Securities in connection with beneficiary securities of beneficiary securities issuing trust.

(Article 15. Exclusion from Securities Deposited in lieu of Cash)

1 In the event that any stock^{*1} that is listed on one or more domestic Financial Instruments Exchange(s) comes to meet, in all of such domestic Financial Instruments Exchanges where it is listed, any of the delisting criteria prescribed by such Financial Instruments Exchange(s)^{*2}, JSCC shall exclude such stock and the Corporate Bonds issued by the issuer of such stock^{*3} from the securities which may be deposited in lieu of cash as the Margin, Customer Margin, Brokerage Margin and the Clearing Brokerage Margin, commencing on the day immediately following the day on which such delisting criteria are met:

(*¹ including beneficiary securities of investment trusts, beneficiary securities of foreign investment trusts, investment securities, foreign investment securities, beneficiary securities of beneficiary securities issuing trust and beneficiary securities of foreign beneficiary securities issuing trust; the same applies hereinafter)

(*² excluding the cases prescribed in the following Items)

(*³ excluding the relevant beneficiary securities of investment trusts, beneficiary securities of foreign investment trusts, beneficiary securities of beneficiary securities issuing trust and beneficiary securities of foreign beneficiary securities issuing trust)

(1) In the event that the issuer of the relevant stock becomes a wholly-owned subsidiary of another corporation whose stock is listed on a Financial Instruments Exchange*¹ through a share exchange or equity transfer;

(*¹ hereinafter referred to as the "Listed Company")

(2) In the event that the issuer of the relevant stock merges with a Listed Company through an absorption-type merger; or

(3) Otherwise, in the event that the relevant stock is to be delisted and that the stock which is to be granted in exchange for such stock is expected to be listed immediately on a Financial Instruments Exchange.

2 The provisions of the preceding Paragraph shall apply mutatis mutandis to bonds where the obligations relating to the bonds of the issuer of the bonds that comprise the securities deposited in lieu of cash as the Margin, Customer Margin, Brokerage Margin and Clearing Brokerage Margin become immediately due and payable.

Supplementary Provisions

- 1 These Rules shall come into effect on July 27, 2020.
- 2 If JSCC considers it inappropriate to apply the provisions of these Rules due to an unavoidable reason, such as failure of the system installed by JSCC or other institutions which is necessary for settlements between JSCC and Clearing Participants in relation to Contracts for Clearing, a handling of the Margin related to the Commodity Futures Contracts and a handling of Unsettled Contracts in the event of Suspension of Obligation Assumption due to Insolvency, and other necessary matters, shall be decided by JSCC at each applicable occasion.

Supplementary Provisions

These revised Rules shall come into effect on October 5, 2020.

Supplementary Provisions

These revised Rules shall come into effect on January 12, 2021.

Supplementary Provisions

These revised Rules shall come into effect on April 1, 2021.

Supplementary Provisions

These revised Rules shall come into effect on July 5, 2021.

Supplementary Provisions

These revised Rules shall come into effect on the later of (i) the date on which the amendment to the Articles of Incorporation of Osaka Dojima Commodity Exchange, Inc. related to its trade name change becomes effective, and (ii) the date on which the authorizations of the Minister of Agriculture, Forestry and Fisheries and the Minister of Economy, Trade and Industry are granted.

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These revised Rules shall come into effect on October 11, 2021.

Supplementary Provisions

These revised Rules shall come into effect on April 4, 2022.

Supplementary Provisions

These revised Rules shall come into effect on July 4, 2022.

Supplementary Provisions

These revised Rules shall come into effect on September 21, 2022.

Supplementary Provisions

These revised Rules shall come into effect on October 11, 2022.

Supplementary Provisions

These revised Rules shall come into effect on December 12, 2022.

Supplementary Provisions

These revised Rules shall come into effect on March 6, 2023.

Supplementary Provisions

These revised Rules shall come into effect on June 12, 2023.

Supplementary Provisions

These revised Rules shall come into effect on September 11, 2023.

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1. These revised Rules shall come into effect on November 6, 2023.
2. Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised amended Rules to apply, due to an occurrence of a system failure to the systems set up by JSCC or other institutions, which are necessary to conduct the settlement of Contracts for Clearing between JSCC and a Clearing Participant, or some other unavoidable reasons, the revised amended Rules shall come into effect on the day set by JSCC which is not earlier than November 6, 2023.

Supplementary Provisions

These revised Rules shall come into effect on December 11, 2023.

<<Appendix 1>>

Table Concerning Calculation of Expected Loss Amount

Expected Loss Amount shall be the amount calculated in accordance with the method prescribed by JSCC, based on the amount equivalent to the level covering the amount equivalent to 99% of the fluctuation amounts set forth in a and b below when such fluctuation amounts are ordered by descending order. However, for Futures Contracts separately prescribed by JSCC, it shall be the amount calculated in accordance with the method separately prescribed by JSCC.

a Expected Fluctuation Amount in Reference Period

Expected Fluctuation Amount in Reference Period shall be the fluctuation amount in the value of each issue expected from Historical Scenario in Reference Period.

(Note 1) Reference Period shall be the period from the 1,250th preceding day from the calculation base date to the calculation base date; provided, however, that, if the relevant period is not deemed as appropriate, it shall be the period prescribed by JSCC.

(Note 2) Historical Scenario shall be scenario structured by JSCC in accordance with the method separately prescribed by JSCC for each issue based on fluctuation of Settlement Price for the number of days prescribed by JSCC.

b Stress Scenario Expected Fluctuation Amount

Stress Scenario Expected Fluctuation Amount shall be the fluctuation amount in value of each issue expected from scenarios prescribed by JSCC as extreme but plausible market.

<Appendix 1-2>

Table Concerning Calculation of Risk Amount and Threshold for Judgment to be Used for Judgment of Whether or Not to Increase Amount Required for Margin

1. Calculation Method of Risk Amount and Threshold for Judgment based on Liquidity Criteria

(1) Risk Amount

Risk amount to be used for judgment of whether or not to increase an amount required for Margin based on the liquidity criteria shall be, respectively for position for the proprietary account of a Trading Participant, position pursuant to the commission by a Customer or position of Voluntary Breakdown Unit pursuant to the commission by a Customer, the amount^{*1} obtained according to the below calculation formula by each of the Energy Futures Commodity Group^{*2}. Terms used in the calculation formula shall have the meanings as defined in A) and B) below.

(*1 However if the resultant value becomes negative, it shall be zero.)

(*2 referring to each contract month contract of Crude Oil Futures Contracts, Gasoline Futures Contracts and Kerosene Futures Contracts designated by JSCC; the same applies hereinafter.)

Risk Amount to be Used for Judgment of Whether or Not to Increase Amount Required for Margin based on Liquidity Criteria

= Absolute Value of Sum Total of Liquidity Threshold Adjusted Net Outstanding Position by Issue as of Close of Trading on a Trading Day reduced by Threshold for Judgement prescribed listed in the following item

A) "Liquidity Threshold Adjusted Net Outstanding Position by Issue" means a value obtained according to the below calculation formula:

Liquidity Threshold Adjusted Net Outstanding Position by Issue

= Net Position by Issue of a Clearing Participant as of the Close of Trading on a Trading Day^{*1} X Volume/Position Adjustment Multiplier for each Issue as of the Close of Trading on that Trading day

(*1 referring to the amount obtained as long Position minus short Position; the same applies hereinafter.)

B) Volume/Position Adjustment Multiplier means the value obtained according to the below calculation formula:

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Volume/Position Adjustment Multiplier

= Beta Value X Delta Value X Underlying Asset Closing Price Ratio X Trading Unit Adjustment Ratio

(Note 1) Beta Value shall be a coefficient prescribed by JSCC based on correlation coefficient between each issue and conversion base issue designated by JSCC for each of Energy Futures Commodity Group.

(Note 2) Delta Value shall be 1 if each issue is Futures Contracts.

(Note 3) Underlying Asset Closing Price Ratio shall be a coefficient prescribed by JSCC based on the closing price of the underlying asset of Conversion Base Issue and the closing price for the relevant trade of the underlying asset of each issue.

(Note 4) Trading Unit Adjustment Ratio means the value obtained according to the below calculation formula:

Trading Unit Adjustment Ratio

= Trading Unit of each Issue / Trading Unit of Conversion Base Issue

(2) Threshold for Judgment

Threshold for judgment to be used for judgment of whether or not to increase an amount required for Margin based on the liquidity criteria shall be, as to trading volume at the Designated Commodity Market, the quantity obtained according to the below calculation formula for each of the Energy Futures Commodity Group. Terms used in the calculation formula shall have the meanings as defined in A) through C) below.

Threshold for Judgment to be Used for Judgment of Whether or not to Increase Amount Required for Margin based on Liquidity Criteria

= Average of Base Trading Volume on each Trading Day during Threshold Calculation Period X Liquidity Threshold Adjustment Multiplier X Expected Holding Period

A) "Threshold Calculation Period" means the period from and including the day that is 60 days^{*1} from and preceding the Trading Day ending on the last day of the previous month^{*2} through the last day of the previous month.

(^{*1} excluding Non-Business Days.)

(^{*2} if such day falls on a Non-Business Day, it shall be immediately preceding Business Day.)

B) "Base Trading Volume on each Trading Day" means the sum total of the amount obtained by multiplying trading volume of each issue at the relevant Designated

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Commodity Market on a Trading Day by the Volume/Position Adjustment Multiplier related to the relevant issue as set forth in B) of the preceding Item.

C) "Liquidity Threshold Adjustment Multiplier" means the multiplier designated by JSCC.

D) "Expected Holding Period" shall be 1.

2. Calculation Method of Risk Amount and Threshold for Judgment based on Concentration Criteria

(1) Risk Amount

Risk amount to be used for judgment of whether or not to increase an amount required for Margin based on the concentration criteria shall be, respectively for position for the proprietary account of a Trading Participant, position pursuant to the commission of a Customer or position of Voluntary Breakdown Unit pursuant to the commission of a Customer, the amount obtained according to the below calculation formula by each of the Energy Futures Commodity Group. Terms used in the calculation formula shall have the meanings as defined in A) and B) below.

Risk Amount to be Used for Judgment of Whether or Not to Increase Amount Required for Margin based on Concentration Criteria

= Sum Total of Concentration Threshold Adjusted Net Outstanding Position by Issue as of Close of Trading on a Trading Day reduced by Threshold for Judgement prescribed in the following item^{*1}

(^{*1} If sum total of Concentration Threshold Adjusted Net Outstanding Position by Issue becomes negative, the value obtained by adding Threshold for Judgement to the sum total of Concentration Threshold Adjusted Net Outstanding Position by Issue.)

(Note) If the value obtained by reducing Threshold for Judgement from the sum total of Concentration Threshold Adjusted Net Outstanding Position by Issue is negative, it shall be zero.

A) "Concentration Threshold Adjusted Net Outstanding Position by Issue" means a value obtained according to the below calculation formula:

Concentration Threshold Adjusted Net Outstanding Position by Issue

= Net Position by Issue of a Clearing Participant as of the Close of Trading on a Trading Day X Volume/Position Adjustment Multiplier for each Issue as of the Close of Trading on that Trading Day

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- B) "Volume/Position Adjustment Multiplier" has the same meaning as the Volume/Position Adjustment Multiplier as defined in Item (1), B) of the preceding Paragraph.

(2) Threshold for Judgment

Threshold for judgment to be used for judgment of whether or not to increase an amount required for Margin based on the concentration criteria shall be, as to outstanding position at the Designated Commodity Market, the quantity obtained according to the below calculation formula for the Energy Futures Commodity Group. Terms used in the calculation formula shall have the meanings as defined in A) through C) below.

Threshold for Judgment to be Used for Judgment of Whether or Not to Increase Amount Required for Margin based on Concentration Criteria

= Base Outstanding Position on Threshold Calculation Date X Concentration Threshold Adjustment Multiplier X Expected Holding Period

- A) "Threshold Calculation Date" means the last day of the previous month.
- B) "Base Outstanding Position" means the sum total of the amount obtained by multiplying the outstanding Position of each issue at the relevant Designated Commodity Market on the Threshold Calculation Date by the Volume/Position Adjustment Multiplier related to the relevant issue as set forth in B) of the preceding Item.
- C) "Concentration Threshold Adjustment Multiplier" means the multiplier designated by JSCC.
- D) "Expected Holding Period" shall be 1.

<Appendix 2>

*Table Concerning Calculation of Add-on Charge to Amount Required for Margin
when Measures of Increasing Amount Required for Margin are Taken*

The add-on charge to an amount required for Margin shall be, respectively for Position for a Clearing Participant's proprietary account, Position pursuant to the commission by a Customer or Position of Voluntary Breakdown Unit pursuant to the commission by a Customer, the amount obtained according to the below calculation formula by Energy Futures Commodity Group; provided, however, that, if JSCC considers it inappropriate, it shall be the amount determined by JSCC at each applicable occasion. Terms used in the calculation formula shall have the same meaning as those defined in Appendix 1-2, or have the meanings as defined in A) and B) below.

Add-on Charge for Amount Required for Margin

= Greater of Expected Excess Loss based on Liquidity Criteria and Expected Excess Loss based on Concentration Criteria

A) "Expected Excess Loss based on Liquidity Criteria" means the amount obtained according to the below calculation formula for the Energy Futures Commodity Group.

Expected Excess Loss based on Liquidity Criteria

= Risk Amount set forth in Appendix 1-2, Paragraph 1, Item (1) X Margin Equivalent per 1 Unit of Position X Expected Excess Factor When Falling Under Liquidity Criteria

(Note 1) "Margin Equivalent per 1 Unit of Position" means the value obtained by averaging the Expected Loss Amount per 1 Unit of long position and short position for each contract month contract of the commodity to which the Conversion Base Issue belongs.

(Note 2) "Expected Excess Factor When Falling under Liquidity Criteria" shall be the factor obtained according to the below calculation formula*1.

Expected Excess Factor When Falling under Liquidity Criteria

$$= \sqrt{\frac{\text{Liquidity Base Holding Period Multiplier}}{3}} - 1$$

(Note 2-1) "Liquidity Base Holding Period Multiplier" means the number of days obtained according to the below calculation formula:

Liquidity Base Holding Period Multiplier

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= Risk Amount set forth in Appendix 1-2, Paragraph 1, Item (1) / Threshold for Judgment set forth in Appendix 1, Paragraph 1, Item (2)

B) "Expected Excess Loss based on Concentration Criteria" means the absolute value of Expected Excess Loss Amount obtained according to the below calculation formula by the Energy Futures Commodity Group:

Expected Excess Loss based on Concentration Criteria

= Risk Amount set forth in Appendix 1-2, Paragraph 2, Item (1) X Margin Equivalent per 1 Unit of Position X Expected Excess Factor When Falling under Concentration Criteria
(Note 1) "Margin Equivalent per 1 Unit of Position" means the value obtained by averaging the Expected Loss Amount per 1 Unit of long position and short position for each contract month contract of the commodity to which the Conversion Base Issue belongs.

(Note 2) "Expected Excess Factor When Falling under Concentration Criteria" means the factor obtained according to the below calculation formula*1:

Expected Excess Factor When Falling under Concentration Criteria

$$= \sqrt{\frac{\text{Concentration Base Holding Period Multiplier}}{3}} - 1$$

(Note 2-1) "Concentration Base Holding Period Multiplier" means the number of days obtained according to the below calculation formula:

Concentration Base Holding Period Multiplier

= Absolute value of risk amount set forth in Appendix 1-2, Paragraph 2, Item (1) / Threshold for Judgment set forth in Appendix 1, Paragraph 2, Item (2).

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<Appendix 3> Table Concerning Types of Securities Deposited in lieu of Cash and their Substituting Prices, etc.

1 The substituting price of the securities deposited in lieu of cash as the Margin, Customer Margin, Brokerage Margin and Clearing Brokerage Margin shall be the amount equal to their market price as of the day^{*1} which is two days before the day of posting or the day of deposit with respect to the relevant Securities in lieu of Cash, multiplied by a rate prescribed by JSCC^{*2}; provided, however, that JSCC may change the substituting price when deemed particularly necessary by JSCC, due to significant fluctuations in the market, etc.

(^{*1} if such day falls on a Non-Business Day, it shall be the immediately preceding Business Day)

(^{*2} in the case of the substituting price of the Securities in lieu of Cash as the Customer Margin, Brokerage Margin and Clearing Brokerage Margin, an amount not in excess of the amount resulting from the multiplication by the rate prescribed by JSCC)

2 The types of securities, their market prices and the rates prescribed by JSCC referenced in the preceding Paragraph shall be as follows:

Type of Securities and the Like		Market Price	The rate by which the market price is to be multiplied
Japanese Government Bonds (For Inflation-Indexed Bonds, only those eligible for Clearing under OTC JGB Clearing Service)	Whose Reference Statistical Prices for OTC Bond Transactions are published by the Japan Securities Dealers Association	Average of the relevant Reference Statistical Prices for OTC Bond Transactions (For Inflation-Indexed Bonds, the value obtained by multiplying such average by the indexation coefficient published by the Ministry of Finance)	(1) Interest-bearing government bond and discount government bond (excluding government bond with floating rate, Inflation-Indexed Bonds and STRIPs) a Years to maturity of less than 1 year 99% b Years to maturity over 1 year and less than 5 years 98% c Years to maturity over 5 year and less than 10 years 98% d Years to maturity over 10year and less than 20 years 96% e Years to maturity over 20 year and less than 30 years 93% f Years to maturity over 30 years 92%
	Which are listed on a domestic Financial Instruments Exchange, but whose Reference Statistical Prices for OTC Bond Transactions are not published	The closing price (*1) at the Financial Instruments Exchange (*2)	(2) Government bond with floating rate a Years to maturity of less than 1 year 99% b Years to maturity over 1 year and less than 5 years 99% c Years to maturity over 5 year and less than 10 years 99% d Years to maturity over 10 year and less than 20 years 99% (3) Inflation-Indexed Bonds a Years to maturity of less than 1 year 99%

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			b Years to maturity over 1 year and less than 5 years 98% c Years to maturity over 5 year and less than 10 years 98% d Years to maturity over 10year and less than 20 years 98% e Years to maturity over 20 year and less than 30 years 98% f Years to maturity over 30 years 98% (4) STRIPs a Years to maturity of less than 1 year 99% b Years to maturity over 1 year and less than 5 years 98% c Years to maturity over 5 year and less than 10 years 98% d Years to maturity over 10year and less than 20 years 96% e Years to maturity over 20 year and less than 30 years 93% f Years to maturity over 30 years 91%
Bonds guaranteed by the Japanese Government	Whose Reference Statistical Prices for OTC Bond Transactions are published by the Japan Securities Dealers Association	Average of the relevant Reference Statistical Prices for OTC Bond Transactions	(1) Years to maturity of less than 1 year 99% (2) Years to maturity over 1 year and less than 5 years 98% (3) Years to maturity over 5 year and less than 10 years 98% (4) Years to maturity over 10year and less than 20 years 96% (5) Years to maturity over 20 year and less than 30 years 93% (6) Years to maturity over 30 years 92%
	Which are listed on a domestic Financial Instruments Exchange, but whose Reference Statistical Prices for OTC Bond Transactions are not published	The closing price (*1) in the Financial Instruments Exchange (*2)	
Municipal bonds (*3)	Whose Reference Statistical Prices for OTC Bond Transactions are published by the Japan Securities Dealers Association	Average of the relevant Reference Statistical Prices for OTC Bond Transactions	(1) Years to maturity of less than 1 year 99% (2) Years to maturity over 1 year and less than 5 years 99% (3) Years to maturity over 5 year and less than 10 years 98% (4) Years to maturity over 10year and less than 20 years 96% (5) Years to maturity over 20 year and less than 30 years 95% (6) Years to maturity over 30 years 95%

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	Which are listed on a domestic Financial Instruments Exchange, but whose Reference Statistical Prices for OTC Bond Transactions are not published	The closing price (*1) in the Financial Instruments Exchange (*2)	
Special bonds (excluding bonds guaranteed by the Japanese Government)(*4)	Whose Reference Statistical Prices for OTC Bond Transactions are published by the Japan Securities Dealers Association	Average of the relevant Reference Statistical Prices for OTC Bond Transactions	(1) Years to maturity of less than 1 year 99% (2) Years to maturity over 1 year and less than 5 years 99% (3) Years to maturity over 5 year and less than 10 years 98% (4) Years to maturity over 10year and less than 20 years 96% (5) Years to maturity over 20 year and less than 30 years 95% (6) Years to maturity over 30 years 94%
Corporate Bonds (excluding bonds with stock acquisition rights and Exchangeable Corporate Bonds) (*3) (*4)	Which are listed on a domestic Financial Instruments Exchange, but whose Reference Statistical Prices for OTC Bond Transactions are not published	The closing price (*1) in the Financial Instruments Exchange (*2)	
Beneficiary securities of public and corporate bond investment trusts(*6)	Whose market prices on the preceding day are published by the Investment Trusts Association Japan	Applicable market price	85/100
Convertible Bonds (*3) (*6)(*7) Exchangeable Corporate Bonds) (*3) (*7)	Which are listed on a domestic Financial Instruments Exchange	The closing price (*1) in the Financial Instruments Exchange (*2)	80/100

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<p>Stocks</p> <p>Beneficiary securities of foreign investment trusts</p> <p>Foreign investment securities</p> <p>Beneficiary securities of beneficiary securities issuing trust</p> <p>Beneficiary securities of foreign beneficiary securities issuing trust</p>	<p>Which are listed on a domestic Financial Instruments Exchange</p>	<p>The closing price (*1) in the Financial Instruments Exchange(*2)</p>	<p>70/100</p>
<p>Beneficiary securities of investment trusts (excluding beneficiary securities of public and corporate bond investment trusts)</p> <p>Investment securities</p>	<p>Which are listed on a domestic Financial Instruments Exchange</p> <p>Whose market prices on the preceding day are published by the Investment Trusts Association Japan(*6)</p>	<p>The closing price (*1) in the Financial Instruments Exchange (*2)</p> <p>Applicable market price</p>	
<p>Warehouse Receipts (*7)</p>	<p>Warehouse Receipts certifying the storage of goods deliverable for the settlement by delivery of transactions as prescribed by the Tokyo Commodity Exchange, Inc. and Osaka Dojima Exchange, Inc.</p>	<p>Settlement Price for the contract month contract of which the Last Trading Day arrives first.</p>	<p>70/100</p>

(*1) With respect to an issue that is listed on multiple Financial Instruments Exchanges, referring to the Financial Instruments Exchange selected in accordance with the order of priority prescribed by JSCC.

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- (*2) In the case where a final quote is posted in the applicable Financial Instruments Exchange, the closing price refers to such final quote.
- (*3) Limited to those with respect to which an underwriting contract is executed by a Financial Instruments Business Operator in connection with their issuance.
- (*4) With respect to Special bonds*¹ and Corporate Bonds*², limited to those deemed appropriate by JSCC taking the issuing company's creditworthiness and other circumstances into account(e.g. all ratings obtained from Eligible Rating Agencies*³ are A or above, etc.).
 - (*¹ excluding bonds guaranteed by the Japanese Government)
 - (*² excluding bonds with stock acquisition rights and Exchangeable Corporate Bonds)
 - (*³ referring to the Credit Rating Agencies stipulated in Paragraph 36 of Article 2 of the Financial Instruments and Exchange Act and the Specified Related Corporations stipulated in Paragraph 2 of Article 116-3 of the Ordinance of Cabinet Office Concerning Financial Instruments Business, etc. (Ordinance of Cabinet Office No. 52 of 2007).)
- (*5) With respect to corporate bonds, limited to those listed on domestic Financial Instruments Exchanges or those issued by the corporations whose stocks are listed on domestic Financial Instruments Exchanges.
- (*6)With respect to Convertible Bonds, limited to those issued by the corporations whose stocks are listed on domestic Financial Instruments Exchanges.
- (*7)To be excluded from the scope of the Securities in lieu of Cash for Clearing Participant's Proprietary Margin and Affiliate's Margin.

3 With respect to the order of priority to be prescribed by JSCC referenced in the provisions of the preceding Paragraph, the Financial Instruments Exchange with the highest selling/buying volume*¹ of the relevant issue among the Financial Instruments Exchanges: during July through December of the preceding year in the case where the day which is two days before the day of posting or the day of deposit occurs during February through July; or during January through June in the case where the day which is two days before the day of posting or the day of deposit occurs during August through January in the following year, shall be in the first priority position, and the subordinating priority shall be in accordance with the order of the code*² of the Exchanges, Industry Groups, etc.

(*¹ limited to the selling/buying volume pertaining to the Regular Transactions*¹⁻¹ during trading sessions)

(*¹⁻¹ referring to the Regular Transactions prescribed by each Financial Instruments Exchange)

(*² referring to the code prescribed by the Securities Identification Code Committee)

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