

Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules

Chapter 1 General Provisions

(Article 1 Purpose)

1. These Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as these “Business Rules”) set forth, the matters necessary for the Financial Instruments Obligation Assumption Service and other incidental businesses conducted by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”), Transactions Subject to Clearing of which is Japanese Government Bond Over-the-Counter Transactions (hereinafter referred to as “JGB OTC Transaction Clearing Business”).
2. These Business Rules, Etc. shall apply only to the JGB OTC Transaction Clearing Business conducted by JSCC, and shall not apply to the Financial Instruments Obligation Assumption Service and the like conducted in relation to any transaction subject to clearing other than the Japanese Government Bond Transactions conducted by JSCC.

(Article 2 Definitions)

The terms used in the Business Rules, Etc. shall have definitions from the Financial Instruments and Exchange Act (Act No. 25 of 1948), and the following Items shall be defined as follows:

- (1) “Cause of Closeout Netting” means a filing of a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganization proceedings, the commencement of liquidation or the commencement of special liquidation.
- (2) “Selling Clearing Participant” means a Clearing Participant delivering Japanese government bonds in relation to Buying and Selling, Etc. of Japanese Government Bonds on Buying/Selling Settlement Day.
- (3) “Ending Delivery Amount” means the amount of Money paid/received in relation to Repo Transaction, Etc., on the Ending Transaction Delivery Day.
- (4) “Ending Monetary Payment Obligation” means the payment obligation in relation to Ending Delivery Amount.

- (5) “Ending JGB Delivery Obligation (Basket)” means JGB Delivery Obligation (Basket) on the Ending Transaction Delivery Day.
- (6) “Ending Transaction” means a transaction in relation to Repo Transaction, Etc., where repurchase or resell of Japanese government bonds is executed.
- (7) “Ending Transaction Delivery Day” means the delivery date of the Ending Transaction.
- (8) “Ending/Unwind JGB Delivery Obligation (Basket)” means Ending/Unwind JGB Delivery Obligation (Basket) as stipulated in Article 50-2, Paragraph 1.
- (9) “Parent Company, Etc.” means a parent company of an corporate entity etc. (referred to as other corporate entity, etc. which controls determination of financial and business policies of the relevant corporate entity, etc., including the parent company of the relevant corporate entity, etc.; the same shall apply, hereinafter) and a subsidiary of the parent company of the relevant corporate entity, etc. (referred to as the other corporate entity of which financial and business policies are controlled by the parent company of the relevant corporate entity Etc., including a subsidiary of the relevant other corporate entity, etc.)) and other entities, as JSCC considers as equivalent thereto.
- (10) “Guarantee by Parent Company, Etc.” means an extension of a guarantee by a Parent Company, Etc. of a Clearing Participant for the obligations owed to JSCC by the relevant Clearing Participant, by submitting a document prescribed by JSCC in relation to a guarantee (including a document which JSCC considers as equivalent).
- (11) “Buying Clearing Participant” means a Clearing Participant receiving Japanese government bonds in relation to Buying and Selling, Etc. of Japanese Government Bonds on Buying/Selling Settlement Day.
- (12) “Lending Clearing Participant” means, in relation to Cash-secured Bond Lending Transactions, Etc., a Clearing Participant which delivers Japanese government bonds on Transaction Execution Day and receives Japanese government bonds on the Transaction Settlement Day.
- (13) “Borrowing Clearing Participant” means, in relation to Cash-secured Bond Lending Transactions, Etc., a Clearing Participant which receives Japanese government bonds on the Transaction Execution Day and delivers Japanese government bonds on Transaction Settlement Day.
- (14) “Subordinate Rules” collectively mean the rules prescribed by JSCC pursuant to

these Business Rules (in whatever name and including the amendments thereto, if any).

(15) “Money” means Japanese yen.

(16) “Monetary Payment/Return Obligations” collectively means below obligations between JSCC and a Clearing Participant:

- A) Obligation to Pay Related to Participants Settlement;
- B) The Starting/Rewind Monetary Payment Obligation (excluding the obligation paid pursuant to the provisions of Article 50-6) and the Ending/Unwind Monetary Payment Obligation (excluding the obligation paid pursuant to the provisions of Article 50-6) as stipulated in Article 50-2, Paragraph 2;
- C) The return obligation in relation to the remaining amount of Initial Margin deposit (the amount of Initial Margin which a Clearing Participant currently deposits in Money);
- D) The return obligation in relation to the remaining amount of JGB OTC Transaction Clearing Fund deposit (the amount of JGB OTC Transaction Clearing Fund which a Clearing Participant currently deposits in Money);
- E) The payment obligation in relation to an amount equal to interest for Substituting Japanese Government Bonds for Initial Margin and JGB OTC Transaction Clearing Fund owed by JSCC (including an amount equal to interest for Substituting Japanese Government Bonds of Default Contingent Margin paid by JSCC, pursuant to the provisions of Article 70-8, Paragraph 4 applied *mutatis mutandis* in accordance with the provisions in Article 83-9, Paragraph 4);
- F) The payment obligation in relation to the amount equal to funding costs owed by a Clearing Participant pursuant to the provisions of Article 76, Paragraph 1; and
- G) The return obligation in relation to the remaining amount of Default Contingent Margin Deposit (referring to the amount of Default Contingent Margin, currently deposited by a Clearing Participant in Money).

(17) “Settlement Day, Etc.” means Buying/Selling Settlement Day, Transaction Execution Day, Transaction Settlement Day, Starting Transaction Delivery Day, Ending Transaction Delivery Day (including the Substitution Execution Day), the day on which the Unwind Monetary Payment Obligation and the Unwind JGB Delivery Obligation (Basket) are to be performed and the day on which Rewind

Monetary Payment Obligation and Rewind JGB Delivery Obligation (Basket) are to be performed).

- (18) "Cash-secured Bond Lending Transactions" means the lending of the Japanese government bonds and payment and receipt of Money for the purpose of securing thereof.
- (19) "Cash-secured Bond Lending Transactions, Etc." means Cash-secured Bond Lending Transactions and delivery/receipt of Japanese government bonds and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.
- (20) "Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transactions, Etc." means obligations to pay the amount equal to interest to be received when the interest payment day arrives in the period from the immediately following day of Transaction Execution Day (if such day falls on a bank holiday, immediately following day which is not a holiday) to the Transaction Settlement Day, as of such interest payment day, for borrowed Japanese government bonds in relation to Cash-secured Bond Lending Transactions, Etc.
- (21) "Repo Selling Clearing Participant" means, in relation to Repo Transaction, Etc., the Clearing Participant who delivers Japanese government bonds on Starting Transaction Delivery Day and receives Japanese government bonds on Ending Transaction Delivery Day.
- (22) "Repo Buying Clearing Participant" means, in relation to Repo Transaction, Etc., the Clearing Participant who receives Japanese government bonds on the Starting Transaction Delivery Day and delivers Japanese government bonds on the Ending Transaction Delivery Day.
- (23) "Repo Transaction, Etc." means Standard Repo Transactions, Etc. and the Subsequent Collateral Allocation Repo Transactions, Etc.
- (24) "Obligation to Pay the Amount Equal to Interest Related to Repo Transactions, Etc." means obligations to pay the amount equal to interests to be received for Japanese government bonds which have been bought in relation to Repo Transactions, Etc. when the interest payment day arrives in the period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a bank holiday, immediately following day which is not a holiday) to Ending Transaction Delivery Day, as of such interest payment day.
- (25) "Clearing Participant subject to Proration on Original Transactions" means a

Non-defaulting Clearing Participant holding Trust Account.

- (26) "Aggregate Loss subject to Original Transaction Proration" means the amount of Loss Resulting from Default Settlement multiplying the proration specified by JSCC pursuant to the Subordinate Rules .
- (26)-2 "JGB Futures Pair-off Netting" means deeming settlement related to a JGB Futures Contract (referring JGB Futures Contract set forth in Article 3, Paragraph.2, Item (3) of the Securities and Similar Contracts Business Rules) and settlement related to Individual Issue Transaction to have been settled, pursuant to the provisions of Article 50-12.
- (27) "Buying and Selling of Japanese Government Bonds" means buying and selling of Japanese government bonds without conditions to repurchase or resell them.
- (28) "Buying and Selling, Etc. of Japanese Government Bonds" means Buying Selling of Japanese Government Bonds and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.
- (29) "JGB Delivery/Return Obligation" collectively means below obligations between JSCC and a Clearing Participant:
- A) Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 46;
 - B) Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket);
 - C) Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-5;
 - D) JGB Delivery Obligation in relation to Buy-in owed by a Clearing Participant;
 - E) The obligation to return Remaining Quantity of Substituting Initial Margin Deposit;
 - F) The obligation to return Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit;
 - G) The obligation to deliver Japanese government bonds in relation to Standard Repo Transaction for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1 and Paragraph 2 of the said Article;
 - H) The obligation to deliver Japanese government bonds pursuant to the provisions of Article 80-7, Paragraph 2 in relation to Subject Transactions for Auction owed by JSCC or a Clearing Participant; and

I) The obligation to return Remaining Quantity of Substituting Default Contingent Margin Deposit.

- (30) “JGB OTC Transaction Principal Clearing Qualification” means JGB OTC Transaction Clearing Qualification which does not authorize the Clearing participant to operate the Brokerage for Clearing of Securities, Etc.
- (31) “Required JGB OTC Transaction Clearing Fund Amount” means the amount of JGB OTC Transaction Clearing Fund which a Clearing Participant is required to deposit with JSCC, pursuant to the provisions of Article 15 and Article 70-5.
- (32) “Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit” means the quantity of JGB OTC Transaction Clearing Fund which a Clearing Participant deposits by Substituting Japanese Government Bonds.
- (33) “JGB OTC Transaction Clearing Qualification” means the qualification to become counterparty to the JGB OTC Transaction Clearing Business conducted by JSCC.
- (34) “JGB OTC Transaction Agency Clearing Participant” means a participant who obtains JGB OTC Transaction Agency Clearing Qualification.
- (35) “JGB OTC Transaction Agency Clearing Qualification” means the JGB OTC Transaction Clearing Qualification which authorizes a Clearing Participant to operate the Brokerage for Clearing of Securities, Etc.
- (36) “JGB Delivery Obligation (Basket)” means obligation to deliver Japanese government bonds specified by Basket.
- (37) “Individual Issue Transaction” collectively means Buying and Selling Etc. of Japanese Government Bonds, Cash-secured Bond Lending Transactions Etc. and Standard Repo Transactions, Etc.
- (38) “Substitution” means, with respect to Standard Repo Transactions, Etc. simultaneous execution of transactions stated below A) and B), for the purpose of changing Japanese government bonds in relation to Ending Transaction of the relevant Standard Repo Transactions, Etc.:
- A) Transaction for which a Repo Selling Clearing Participant and a Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. assumes obligations stated in below (a) to (e), for the purpose of closing Original Repo Transaction, Etc.:
- (a) Obligations of Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. to deliver Japanese government bonds in relation to Original Repo Transaction, Etc. to Repo Buying Clearing Participant in

relation to Original Repo Transaction, Etc. on Ending Transaction Delivery Day of Original Repo Transaction, Etc.;

- (b) Obligations of Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. to pay Money amount paid/received on Ending Transaction Delivery Day in relation to Original Repo Transaction, Etc. to Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. on Ending Transaction Delivery Day of Original Repo Transaction, Etc.;
- (c) Obligations of Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. to deliver Japanese government bonds in relation to Original Repo Transaction to Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. on the Substitution Execution Day;
- (d) Obligations of Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. to pay Money amount paid/received on the Starting Transaction Delivery Day of Repo Transaction, Etc. After Issue Change to Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. on the Substitution Execution Day; and
- (e) Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc

B) Repo Transaction, Etc. After Issue Change

- (39) “Substitution Execution Day” means the day on which the Original Repo Transaction, Etc. is to be closed.
- (40) “Obligation to Pay Related to Participants Settlement” collectively means the following obligations between JSCC and a Clearing Participant:
 - A) The Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 46-3;
 - B) The payment obligation in relation to the market value of Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 47, Paragraph 2;
 - C) The payment obligation in relation to the delivery adjustment amount related to Individual Issue Transaction as stipulated in Article 47, Paragraph 3;
 - D) Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-7;

- E) The payment obligation in relation to the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc., as stipulated in Article 50-8, Paragraph 2;
- F) The payment obligation in relation to the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. as stipulated in Article 50, Paragraph 8, Item (3);
- G) The payment obligation in relation to Fails Charges as stipulated in Article 52;
- H) The payment obligation in relation to an amount equal to interest as stipulated in Article 53;
- I) The payment obligation in relation to the amount equal to redemption amount as stipulated in Article 54;
- J) The payment obligation in relation to the buying/selling price in relation to Buy-in as stipulated in Article 56, Paragraph 1;
- K) The difference between buying/selling price in relation to Buy-in by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in as stipulated in Article 57, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in;
- L) The difference between buying/selling price in relation to Buy-in by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in as stipulated in Article 59, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in by Participants;
- M) The difference between buying/selling price in relation to Buy-in by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in as stipulated in Article 60, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in by Participants;
- N) The difference between buying/selling price in relation to Buy-in under the

Uniform Practice Code and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in under the Uniform Practice Code as stipulated in Article 60, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in under the Uniform Practice Code;

O) Obligation in relation to deposit of Variation Margin as stipulated in Article 65 and Article 66;

P) The payment obligation in relation to return of Variation Margin and interest amount as stipulated in Article 67;

Q) The payment obligation in relation to Standard Repo Transactions for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1, Item (2) and Paragraph 2 of the said Article; and

R) The payment obligation in relation to Subject Transactions for Auction owed by JSCC or a Clearing Participant as stipulated in Article 80-7, Paragraph 2.

(41) "Buy-in by Participant" means a purchase of Japanese government Bonds in order to complete the Settlement Related to Fail by a receiving Clearing Participant purchase on the account of JSCC under the name of the relevant receiving Clearing Participant.

(42) "Capital-to-Risk Ratio" means the Capital-to-Risk ratio as stipulated in Article 46-6, Paragraph 1 of the Act.

(42)-2 "Securities and Similar Contracts Business Rules" means the business rules prescribed by JSCC for its securities and similar contracts clearing business.

(43) "Trust Account" means the Netting Account exclusively designated for transactions in relation to trusts.

(44) "Starting Delivery Amount" means the amount of Money paid/received on the Starting Transaction Delivery Day for Repo Transaction, Etc.

(45) "Amount equal to Starting Delivery Amount" means the amount of Money equal to Starting Delivery Amount.

(46) "Starting Monetary Payment Obligation" means the payment obligation in relation to Starting Delivery Amount.

(47) "Starting JGB Delivery Obligation (Basket)" means the JGB Delivery Obligation (Basket) on the Starting Transaction Delivery Day.

- (48) “Starting Transaction” means, in relation to Repo Transaction, Etc. an initial transaction selling or buying Japanese government bonds.
- (49) “Starting Transaction Delivery Day” means the delivery day for the Starting Transaction.
- (50) “Starting/Rewind JGB Delivery Obligation (Basket)” means the Starting/Rewind JGB Delivery Obligation (Basket) as stipulated in Article 50-2, Paragraph 1.
- (51) “Clearing Participant subject to Proration on Clearing Fund Requirement” means Non-Defaulting Clearing Participant other than a Clearing Participant holding Trust Account only.
- (52) “Aggregate Loss subject to Clearing Fund Requirement Proration” means the amount deducting Aggregate Loss subject to Original Transaction Proration from the amount of Loss Resulting from Default Settlement.
- (53) “Clearing Participant” means an entity which has obtained a JGB OTC Transaction Clearing Qualification.
- (54) “Clearing Qualification Classification” means a classification of JGB OTC Transaction Principal Clearing Qualification or JGB OTC Transaction Agency Clearing Qualification.
- (55) “Non-Defaulting Clearing Participant” means a Clearing Participant other than Defaulting Clearing Participant.
- (56) “First Tier JGB OTC Transaction Settlement Guarantee Reserve” means preserved amount set aside by JSCC in accordance with the Subordinate Rules pursuant to the provisions of Article 83 for the purpose of recovering the Loss Resulting from Default Settlement.
- (57) “Third Tier Special Clearing Charge” means Money paid by the Non-Defaulting Clearing Participant to JSCC, pursuant to Article 83-4.
- (58) “Third Tier Special Clearing Charge Collaterals” means Money which the relevant Clearing Participant deposits with JSCC for the purpose as stipulated in Article 83-8, Paragraph 1, Item (1).
- (59) “Second Tier JGB OTC Transaction Settlement Guarantee Reserve” means an amount set aside by JSCC in accordance with the Subordinate Rules pursuant to the provisions of Article 83-2, for the purpose of recovering Loss Resulting from Default Settlement.
- (60) “Second Tier Bearing Limit of Clearing Participants subject to Original Transaction Proration” means Required JGB OTC Transaction Clearing Fund (If the Clearing

Participant holds a Netting Account other than Trust Account, excluding the amount related to such Netting Account other than Trust Account) on the preceding day of the commencing day of Default Settlement Period (if such day falls on a holiday, immediately preceding day which is not a holiday) in which Default Determination Date in relation to the Defaulting Clearing Participant falls, for each Clearing Participants subject to Original Transaction Proration which applies JGB OTC Transaction Clearing Fund deposited with JSCC pursuant to the provisions of Article 83-2.

- (61) "Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration" means Required JGB OTC Transaction Clearing Fund (If the Clearing Participant holds a Trust Account, excluding the amount in relation to such Trust Account) on the preceding day of the commencing day of Default Settlement Period (if such day falls on a holiday, immediately preceding day which is not a holiday) in which Default Determination Date in relation to a Defaulting Clearing Participant falls, for each Clearing Participants subject to Clearing Fund Requirement Proration which applies JGB OTC Transaction Clearing Fund deposited with JSCC pursuant to the provisions of Article 83-2.
- (62) "Second Tier Total Amount Borne by Clearing Participants subject to Original Transaction Proration" means the total amount applied by Clearing Participant subject to Proration on Original Transactions from JGB OTC Transaction Clearing Fund deposited with JSCC in accordance with Original Transactions Proration pursuant to the provisions stipulated in Article 82, Paragraph 1, Item (1).
- (63) "Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration" means the total amount applied by Clearing Participant subject to Proration on Clearing Fund Requirement from JGB OTC Transaction Clearing Fund deposited with JSCC in accordance with Clearing Fund Requirement Proration pursuant to the provisions stipulated in Article 82, Paragraph 1, Item (2).
- (64) "Substituting Japanese Government Bonds" means Japanese government bonds deposited pursuant to the provisions of Article 70-8, Paragraph 1.
- (65) "Fourth Tier Special Clearing Charge" means Money paid from Non-Defaulting Clearing Participant to JSCC pursuant to the provisions of Article 83-7.
- (66) "Fourth Tier Special Clearing Charge Collaterals" means Money deposited by a Clearing Participant with JSCC pursuant to the provisions of Article 83-8,

Paragraph 1, Item (2) for the purpose of securing obligations.

- (67) "Other Clearing Business" means Financial Instruments Obligation Assumption Service and its incidental service conducted by JSCC other than JGB OTC Transaction Clearing Business.
- (68) "Uniform Practice Code" means the Uniform Practice Code "Rules concerning Resolving Fails of Bonds" prescribed by the Japan Securities Dealers Association.
- (69) "Buy-In under the Uniform Practice Code" means the Buy-in as stipulated in the Uniform Practice Code.
- (70) "Original Repo Transaction, Etc." means Standard Repo Transactions, Etc. subject to Substitution.
- (71) "Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc." means obligations to pay the amount equals to interest to be received when the interest payment day arrives, for Japanese government bonds in relation to Original Repo Transaction, Etc., in the period from the immediately following day of the Substitution Execution Day (if such day falls on a bank holiday, immediately following day which is not a holiday) to Ending Transaction Delivery Day of Original Repo Transaction, Etc. by Repo Selling Clearing Participant of Original Repo Transaction, Etc. to Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc.
- (72) "Initial Margin Group" means a combination of Trust Accounts for the purpose of consolidating positions with respect to Initial Margin.
- (73) "Required Initial Margin Amount" means the amount of Initial Margin which a Clearing Participant is required to deposit with JSCC pursuant to the provisions in Article 15 and Article 70.
- (74) "Remaining Quantity of Substituting Initial Margin Deposit" means the amount of Initial Margin which a Clearing Participant currently deposits by Substituting Japanese Government Bonds
- (75) "Special Clearing Charge Collaterals" collectively means Third Tier Special Clearing Charge Collaterals and Fourth Tier Special Clearing Charge Collaterals.
- (76) "Transaction Execution Day" means the commencing day of the lending period for the Cash-secured Bond Lending Transactions, Etc.
- (77) "Transaction Settlement Day" means the closing day of the lending period for the Cash-secured Bond Lending Transactions, Etc.
- (78) "Netting Account" means the account which a Clearing Participant holds in JSCC

for the purpose of payment/receipt of Money in performing Obligation to Pay Related to Participants Settlement and other payment/receipt of Money or delivery/receipt of Japanese government bonds pursuant to these Business Rules, to/from JSCC.

- (79) "Buying/Selling Settlement Day" means the settlement day for Buying and Selling Etc. of Japanese Government Bonds.
- (80) "Buy-in" means a purchase of Japanese government bonds by JSCC from Clearing Participants in order to complete the Settlement Related to Fail on the account of the delivering Clearing Participant in relation to the relevant Fail under the name of JSCC.
- (81) "Basket" means a combination of Japanese government bonds, designated by JSCC to specify the range of Japanese government bonds subject to Subsequent Collateral Allocation Repo Transaction.
- (82) "Basket Netting" means the netting calculation of JGB Delivery Obligation (Basket) and obligations to pay Money pursuant to the provisions in Article 50-2, with the same Basket and Settlement Day, Etc.
- (83) "Default Contingent Margin" means Money or Substituting Japanese Government Bonds to be deposited with JSCC by a Non-defaulting Clearing Participant for the purpose of securing the obligations stipulated in Article 83-9, Paragraph 1.
- (84) "Remaining Quantity of Substituting Default Contingent Margin Deposit" means the amount of Default Contingent Margin which a Non-Defaulting Clearing Participant currently deposited by Substituting Japanese Government Bonds.
- (85) "Loss Resulting From Default Settlement" means a loss incurred by JSCC arising from the remained obligations which have not been performed by such Defaulting Clearing Participant, with respect to the Monetary Payment/Return Obligation and JGB Delivery/Return Obligation owed by a Defaulting Clearing Participant to JSCC, after such obligations become a single obligation pursuant to the provisions in Article 79, or JSCC setoff such obligations pursuant to the provisions in Article 80.
- (86) "Positions subject to Default Settlement" means the unsettled claims and obligations of the Defaulting Clearing Participant under Transactions Subject to Clearing.
- (87) "Default Settlement Period" means the period, when the Default, Etc. is determined with respect to a Clearing Participant (excluding the cases where at the timing of the relevant determination, Default Settlement Period has already commenced),

thirty (30) days from the Default Determination Date in relation to the relevant Clearing Participant; provided, however, that during the relevant period, if the Default Etc. is determined with respect to other Clearing Participant, the relevant period shall be extended to the period which is thirty (30) days from the Default Determination Date in relation to the relevant other Clearing Participant. The same applies to the cases where during such extended period, the Default, Etc. with respect to other Clearing Participant is determined.

- (88) "Auction for Default Settlement" means an auction for executing a Transaction for the purpose of Positions subject to Default Settlement.
- (89) "Defaulting Clearing Participant" means a Clearing Participant for which JSCC has determined the Default, Etc.
- (90) "Default, Etc." means an event as stipulated in either Paragraph 1 or Paragraph 2 of Article 78.
- (91) "Default Determination Date" means the day on which JSCC determines that Default, Etc. has occurred with respect to the Clearing Participant.
- (92) "Fail" means the situation where on the Settlement Day, Etc., Japanese government bonds are not delivered by a delivering Clearing Participant by the cutoff time as stipulated in Article 50-11, Paragraph 1, Items (1) to (4), for each type of transactions specified in A) of each of the relevant Items.
- (93) "Fails Charges" means Money paid/received between JSCC and a Participant as bearing of Money in relation to the Settlement Related to Fail.
- (94) "Settlement Related to Fail" means the deferred settlement pursuant to the provisions of Article 51, Paragraph 1, the settlement specified by JSCC pursuant to the provisions Paragraph 2 of the said Article, the settlement specified by JSCC pursuant to the provisions of Article 84-2 Paragraph 1 and the settlement specified by JSCC pursuant to the provisions of Article 84-3.
- (95) "Settlement Day Related to Fail" means the day on which the deferred settlement is executed pursuant to the provisions of Article 51, Paragraph 1, the day prescribed by JSCC pursuant to the provisions of Article 84-2, Paragraph 1 and the day prescribed by JSCC pursuant to the provisions of Article 84-3.
- (95)-2 "Pair-off Netting Applying Participant" means a party who has made an application stipulated in Article 50-12, Paragraph 4.
- (96) "Repo Transaction, Etc. After Issue Change" means Standard Repo Transactions, Etc. where a Repo Selling Clearing Participant in relation to Original Repo

Transaction, Etc. sells Japanese Government Bonds after issue change in relation to Original Repo Transaction, Etc., to a Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. on Substitution Execution Day and buys them back on Ending Transaction Delivery Day in relation to Original Repo Transaction, Etc.

(97) "Variation Margin" means pursuant to the provisions of Article 65 and Article 66, Money which Clearing Participant deposit with JSCC or JSCC deposit with a Clearing Participant.

(98) "Business Rules, Etc." collectively mean these Business Rules and Rules.

(99) "Unsettled Monetary Positions" collectively means the below obligations between JSCC and a Clearing Participant:

- A) The payment obligation in relation to the market value of the Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 47, Paragraph 2;
- B) The payment obligation in relation to delivery adjustment amount related to Individual Issue Transaction as stipulated in Article 47, Paragraph 3;
- C) Starting/Rewind Monetary Payment Obligation and Ending/Unwind Monetary Payment Obligation as stipulated in Article 50-2, Paragraph 2;
- D) The payment obligation in relation to the market value of Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-8, Paragraph 2;
- E) The payment obligation in relation to the delivery adjustment amount as stipulated in Article 50-8, Paragraph 3 in relation to Subsequent Collateral Allocation Repo Transactions, Etc.;
- F) The payment obligation in relation to the amount equal to redemption amount as stipulated in Article 54;
- G) The payment obligation in relation to the buying/selling price in relation to Buy-In as stipulated in Article 56, Paragraph 1;
- H) The payment obligation in relation to Standard Repo Transaction for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1 Item (2) and Paragraph 2 of the said Article; and
- I) Starting/Rewind Monetary Payment Obligation and Ending/Unwind Monetary Payment Obligation as applied when Subject Transaction for Auction is constituted pursuant to the provisions in Article 80-7, Paragraph 1 as

stipulated in Article 50-2, Paragraph 2.

(100) “Unsettled Securities Positions” collectively means below obligations between JSCC and a Clearing Participant:

- A) Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 46;
- B) Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket);
- C) Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-5;
- D) Obligation to deliver Japanese government bonds owed by a JSCC or Clearing Participant in relation to Buy-in;
- E) Obligation to deliver Japanese government bonds in relation to Standard Repo Transactions for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1, Item (2) and Paragraph 2 of the said Article;
- F) Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket) as applied when Transaction subject to Auction is constituted pursuant to the provisions in Article 80-7 as stipulated in Article 50-2, Paragraph 2; and
- G) Obligation to deliver Japanese government bonds in relation to Subject Transaction for Auction owed by JSCC or a Clearing Participant as stipulated in Article 80-7, Paragraph 2.

(101) “Subsequent Collateral Allocation Repo Transaction” means Buying/Selling of Japanese government bonds or Buying/Selling of Japanese government bonds with the condition to repurchase or resell them, for which Japanese government bonds subject to Buying/Selling are specified as Basket.

(102) “Subsequent Collateral Allocation Repo Transaction, Etc.” means Subsequent Collateral Allocation Repo Transactions and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.

(103) “Standard Repo Transaction” means Buying/Selling of Japanese government bonds with the condition to repurchase or resell them which specifies Japanese government bonds subject to Buying/Selling by specifying the issue.

(104) “Standard Repo Transaction, Etc.” means Standard Repo Transactions and

delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.

- (105) “Collateral Allocation” means the allocation of issues and quantity to the Starting/Rewind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the day on which the Basket Netting is executed and the Ending/Unwind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the immediately following day on which the Basket Netting (if such day falls on a holiday, following day which is not a holiday) is executed pursuant to the provisions in Article 50-4.
- (106) “Consolidated Capital-to-Risk Ratio” means Consolidated Capital-to-Risk Ratio as stipulated in Article 2 of “The matters to specify the criteria whether or not the condition of the level of net asset of a Special Financial Instruments Business Operator and its subsidiary Etc. is adequate or not in light with its holding assets, Etc. of the relevant Special Financial instruments Business Operator and its subsidiary” (Notification No.128 of the Financial Services Agency, 2010).
- (107) “Rewind Monetary Payment Obligation” means the obligations to pay the amount equal to Starting Delivery Amount to a Repo Selling Clearing Participant by a Repo Buying Clearing Participant, in relation to Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day) on each day (excluding a holiday) in the period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday).
- (108) “Rewind JGB Delivery Obligation (Basket)” means JGB Delivery Obligation (Basket) owed by a Repo Selling Clearing Participant to a Repo Buying Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day), on each day (excluding a holiday) in the period from immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the immediately preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, preceding day which is not a holiday).
- (109) “Unwind Monetary Payment Obligation” means the obligations to pay the amount

equal to Starting Delivery Amount to a Repo Buying Clearing Participant by a Repo Selling Clearing Participant, in relation to Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day) on each day (excluding a holiday) in the period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday).

(110) “Unwind JGB Delivery Obligation (Basket)” means JGB Delivery Obligation (Basket) owed by a Repo Buying Clearing Participant to a Repo Selling Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day), on each day (excluding a holiday) in the period from immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the immediately preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, preceding day which is not a holiday).

(Article 3 Financial Instruments Obligation Assumption Service and Related Service)

JSCC shall conduct the Financial Instruments Obligation Assumption Service which covers the Japanese Government Bond Over-the-Counter Transaction conducted pursuant to these Business Rules, Etc. and the business related thereto prescribed in Article 156-6, Paragraph 1 of the Act.

(Article 4 Transactions Subject to Clearing)

1. JSCC's JGB OTC Transaction Clearing Business shall arise only with respect to transactions (hereinafter referred to as the “Transactions Subject to Clearing”) that involve Japanese government bonds (limited to those specified by JSCC).
2. The Transactions Subject to Clearing shall consist of the transactions set forth in each of the following Items (limited to those specified by JSCC):
 - (1) Buying and Selling of Japanese government bonds;
 - (2) Cash-secured Bond Lending Transactions
 - (3) Standard Repo Transactions;
 - (4) Subsequent Collateral Allocation Repo Transactions; and

- (5) Delivery/receipt of Japanese government bonds or payment/receipt of Cash executed to perform obligations under the transactions listed in the each of the preceding Items.
3. JSCC shall, in a manner prescribed by JSCC, designate, abolish or amend the content of Basket in relation to Subsequent Collateral Allocation Repo Transaction.

(Article 5 Holidays)

1. JSCC shall have the days set forth in each of the following Items as its holidays:
 - (1) Sundays;
 - (2) National holidays;
 - (3) When a national holiday falls on a Sunday, the immediately following day which is not a national holiday;
 - (4) The day which immediately follows and at the same time immediately precedes national holidays;
 - (5) Saturdays;
 - (6) The first three (3) days of each year; and
 - (7) December 31.
2. JSCC may, when it deems necessary, have extraordinary holidays.
3. JSCC may, when it deems necessary, extraordinarily suspend or conduct all or part of the business with respect to the JGB OTC Transaction Clearing Business.
4. In the case of the preceding two (2) Paragraphs, JSCC shall notify Clearing Participants as stipulated in Article 5, Paragraph 1 to that effect in advance.

Chapter 2 Clearing Participants

Section 1 Obtaining JGB OTC Transaction Clearing Qualification

(Article 6 Application and Approval for Obtaining JGB OTC Transaction Clearing Qualification)

1. Any entity listed in each of the following items may apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC, specifying whether it applies for the JGB OTC Transaction Principal Clearing Qualification or the JGB OTC Transaction Agency Clearing Qualification. In such case, when any of the entities listed in Items (2) to (6) below is applying for obtaining the JGB

OTC Transaction Agency Clearing Qualification, only a Registered Financial Institution may apply for it.

- (1) A Financial Instruments Business Operator (limited to the one which has obtained registration of the operation with respect to the acts prescribed in Article 28, Paragraph 1, Item (1) of the Act);
- (2) A bank;
- (3) A Cooperative Structured Financial Institution (referring to the Cooperative Structured Financial Institution as stipulated in Article 2, Paragraph 1 of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Act No. 44 of 1993); the same applies hereinafter) and The Shoko Chukin Bank, Ltd.;
- (4) An insurance company;
- (5) A Securities Finance Company; and
- (6) A Call Loan Dealer (referring to the entity listed in Article 1-9, Item (5) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965); the same applies hereinafter).

2. Any entity listed in each Item of the preceding Paragraph may, in addition to the application as stipulated in the preceding Paragraph, apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC, specifying its intention to obtain the JGB OTC Transaction Principal Clearing Qualification on the condition that a Guarantee by Parent Company, Etc. is extended for all of its obligations owed to JSCC in relation to JGB OTC Transaction Clearing Business. Such party shall, for such application, the document in relation to the Guarantee by Parent Company, Etc. in a form prescribed by JSCC (including the document which JSCC approves as equivalent of the relevant document).
3. Any entity listed in Paragraph 1, Item (1) may, in addition to the application as stipulated in the preceding two (2) Paragraphs, apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC, specifying its intention to obtain the JGB OTC Transaction Principal Clearing Qualification on the condition that if such entity obtains the JGB OTC Transaction Clearing Qualification, the obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 will be netted out at a ratio of not less than the ratio as prescribed by JSCC.
4. When an application for obtaining the JGB OTC Transaction Clearing Qualification has been filed pursuant to the provisions of the preceding three (3) Paragraphs and JSCC

deems that the applicant for obtaining the JGB OTC Transaction Clearing Qualification (hereinafter referred to as the "Qualification Applicant") is appropriate to be qualified as a result of the examination, JSCC shall approve the relevant JGB OTC Transaction Clearing Qualification.

- 5 Notwithstanding the provisions of Paragraph 1, a Specified Successor Financial Institution (as defined in Article 126-34, Paragraph 3, Item (5) of the Deposit Insurance Act (Act No. 34 of 1971); the same applies hereinafter) may apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC. If such application is made, JSCC may approve the JGB OTC Transaction Clearing Qualification to such Qualification Applicant.
6. The approval set forth in preceding two Paragraphs shall be granted designating the date on which the Qualification Applicant is to obtain the JGB OTC Transaction Clearing Qualification.
7. When JSCC approves an application for obtaining the JGB OTC Transaction Clearing Qualification pursuant to the provisions of Paragraph 4 or 5, JSCC shall notify the relevant Qualification Applicant and each Clearing Participant to that effect.

(Article 7 Criteria for JGB OTC Transaction Clearing Qualification)

1. The examination as stipulated in Paragraph 4 of the preceding Article with respect to the application set forth in Paragraph 1 of said Article shall be conducted on the matters described in each of the following Items in respect of the Qualification Applicant and other matters which are deemed necessary for the operation of the JGB OTC Transaction Clearing Business.

(1) Management Structure

The Qualification Applicant shall have a sound management structure (e.g., it is not controlled or influenced by a person who is deemed inappropriate, taking into account JSCC's operation of the JGB OTC Transaction Clearing Business) such that the credibility of JSCC's JGB OTC Transaction Clearing Business among the general public can be expected to be sufficiently protected.

(2) Financial Basis

The Qualification Applicant is expected to fulfill the requirements set forth in either of A) or B) below in accordance with the classification of A) and B), and to have stable profitability as a Clearing Participant, before the date on which it is to obtain the JGB OTC Transaction Clearing Qualification.

- A) A Financial Instruments Business Operator, a Securities Finance Company or a Call Loan Dealer
- (a) The amount of its stated capital is not less than three hundred million (300,000,000) yen;
 - (b) The amount of its net worth (*jun zaisan*) (its net assets (*jun shisan*) in the case of a Securities Finance Company or a Call Loan Dealer) is not less than five billion (5,000,000,000) yen (twenty billion (20,000,000,000) yen in the case of the JGB OTC Transaction Agency Clearing Qualification);
 - (c) In the case of a Financial Instruments Business Operator, the Capital-to-Risk Ratio is more than two hundred (200) percent, and in the case of a Securities Finance Company or a Call Loan Dealer, it must satisfy the condition equivalent thereto; and
 - (d) In the case of a Specified Financial Instruments Business Operator (limited to the one who is required to submit the notification as stipulated in Article 57-5, Paragraph 2 of the Act; the same applies hereinafter), the Consolidated Capital-to-Risk Ratio is more than two hundred (200) percent.
- B) A bank, a Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd. or an insurance company
- (a) The amount of its stated capital or the total amount of capital contribution (in the case of a mutual company (*sougo kaisha*), the total amount of the foundation fund (*kikin*) (including the amount of reserve for redemption of the foundation fund); the same applies hereinafter) is not less than three hundred million (300,000,000) yen;
 - (b) The amount of its net assets (*jun shisan*) is not less than five billion (5,000,000,000) yen (twenty billion (20,000,000,000) yen in the case of the JGB OTC Transaction Agency Clearing Qualification); and
 - (c) In the case of Banks (meaning a bank, a Cooperative Structured Financial Institution or The Shoko Chukin Bank, Ltd., the same applies hereinafter) that is a financial institution subject to Uniform International Standards, it satisfies the requirements set forth in a. to c. below (in the case where it is a foreign bank, the requirements equivalent thereto):
 - a. Its non-consolidated and consolidated Common Equity Tier 1 ratio (for an institution which operates with investment from its members, its non-consolidated and consolidated common capital contribution Tier 1

ratio; the same applies hereinafter) is more than 4.5 percent;

b. Its non-consolidated and consolidated Tier 1 ratio is more than 6 percent; and

c. Its non-consolidated and consolidated Total Capital ratio is more than 8 percent; and

(d) In the case of Banks other than financial institutions subject to Uniform International Standards (hereinafter referred to as "Financial Institution subject to Japanese Standard"), its non-consolidated and consolidated capital adequacy ratio under the domestic standards is more than four (4) percent; and

(e) In the case of an insurance company, its non-consolidated and consolidated solvency margin ratio is more than four hundred (400) percent.

(3) Business Execution Structure

The Qualification Applicant has an appropriate structure for business execution regarding the settlement of the Transactions Subject to Clearing; the management of the risk of loss; and the compliance with the Laws and Regulations (referring to the Act and related laws and regulations; the same applies hereinafter), dispositions imposed by the administrative agencies based on the Laws and Regulations, these Business Rules, Etc.

2. The examination as stipulated in Paragraph 4 of the preceding Article with respect to the application set forth in Paragraph 2 of said Article shall be conducted on the matters described in each of the following Items in respect of the Qualification Applicant and other matters which are deemed necessary for the operation of the JGB OTC Transactions Clearing Business.

(1) Financial Basis

The Qualification Applicant is expected to fulfill the requirements set forth in either of A) or B) below in accordance with the classification of A) and B), and to have stable profitability as a Clearing Participant, before the date on which it is to obtain the JGB OTC Transaction Clearing Qualification.

A) A Financial Instruments Business Operator, a Securities Finance Company or a Call Loan Dealer

(a) The amount of its stated capital is not less than three hundred million (300,000,000) yen;

(b) The amount of its net worth (*jun zaisan*) (its net assets (*jun shisan*)) in the case

of a Securities Finance Company or a Call Loan Dealer) is not less than one billion (1,000,000,000) yen;

(c) In the case of a Financial Instruments Business Operator, the Capital-to-Risk Ratio is more than one hundred and forty (140) percent, and in the case of a Securities Finance Company or a Call Loan Dealer, it must satisfy the condition equivalent thereto;

(d) In the case of a Specified Financial Instruments Business Operator, the Consolidated Capital-to-Risk Ratio is more than one hundred and forty (140) percent; and

(e) Guarantee is obtained from the Qualification Applicant's Parent Company, Etc.

B) A bank, a Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd. or an insurance company

(a) The amount of its stated capital or the total amount of capital contribution is not less than three hundred million (300,000,000) yen;

(b) The amount of its net assets (*jun shisan*) is not less than one billion (1,000,000,000) yen;

(c) In the case of a financial institution subject to Uniform International Standards, it satisfies the requirements set forth in a. to c. below (in the case where it is a foreign bank, the requirements equivalent thereto):

a. Its non-consolidated and consolidated Common Equity Tier 1 ratio is more than 4.5 percent;

b. Its non-consolidated and consolidated Tier 1 ratio is more than 6 percent; and

c. Its non-consolidated and consolidated Total Capital ratio is more than 8 percent; and

(d) In the case of a Financial Institution subject to Japanese Standard, its non-consolidated and consolidated capital adequacy ratio under the domestic standards is more than four (4) percent; and

(e) In the case of an insurance company, its non-consolidated and consolidated solvency margin ratio is more than two hundred (200) percent; and

(f) . is obtained by the Qualification Applicant's Parent Company, Etc.

(2) Financial Basis of Parent Company, Etc.

The Qualification Applicant's Parent Company, Etc. (limited to Parent Company, Etc.

which extends a Guarantee by Parent Company, Etc. for the relevant Qualification Applicant; the same applies hereinafter) is expected to fulfill the requirements below before the date on which the Qualification Applicant is to obtain the JGB OTC Transaction Clearing Qualification.

- A) The amount of its stated capital or the amount of capital contribution is not less than three hundred million (300,000,000) yen;
- B) The amount of its net worth (*jun zaisan*) (in the case where the Parent Company, Etc. is not Financial Instruments Business Operator, its net assets (*jun shisan*) or the equivalent amount thereto) of the Parent Company, Etc. of the Qualification Applicant is not less than 5 billion yen multiplying by the number of Clearing Participants for which Parent Company, Etc. extends a Guarantee by Parent Company, Etc. (if such Parent Company, Etc. is a Clearing Participant, adding one (1) to such number) (provided, however that if such amount becomes less than twenty billion (20,000,000,000) yen, such amount shall be twenty billion (20,000,000,000) yen);
- C) In the case where the relevant Parent Company, Etc. is a Financial Instruments Business Operator, the Capital-to-Risk Ratio is more than two hundred (200) percent, and in the case of a Securities Finance Company or a Call Loan Dealer, it must satisfy the condition equivalent thereto; and
- D) In the case where the relevant Parent Company, Etc. is a Specified Financial Instruments Business Operator, the Consolidated Capital-to-Risk Ratio is more than two hundred (200) percent.
- E) In the case where the relevant Parent Company, Etc. is a financial institution subject to Uniform International Standards, it satisfies the requirements set forth in (a) to (c) below (in the case where it is a foreign bank, the requirements equivalent thereto):
 - (a) Its non-consolidated and consolidated Common Equity Tier 1 ratio is more than 4.5 percent;
 - (b) Its non-consolidated and consolidated Tier 1 ratio is more than 6 percent; and
 - (c) Its non-consolidated and consolidated Total Capital ratio is more than 8 percent.
- F) In the case where the relevant Parent Company, Etc. is a Financial Institution subject to Japanese Standard, its non-consolidated and consolidated capital

adequacy ratio under the domestic standards is more than four (4) percent;

G) In the case where the relevant Parent Company, Etc. is an insurance company, its non-consolidated and consolidated solvency margin ratio is more than four hundred (400) percent; and

H) In the case where the relevant Parent Company, Etc. is neither a Specified Financial Instruments Business Operator, Special Financial Instruments Business Operator, a Financial Institution subject to Uniform International Standards, nor a Financial Institution subject to Japanese Standard, it satisfies the requirements equivalent of either of those specified in C) to G).

(3) The matters set forth in Items (1) and (3) of the preceding Paragraph.

3. The examination as stipulated in Paragraph 4 of the preceding Article with respect to the application set forth in Paragraph 3 of said Article shall be conducted on the matters described in each of the following Items in respect of the Qualification Applicant and other matters which are deemed necessary for the operation of the JGB OTC Transactions Clearing Business.

(1) Financial Basis

The Qualification Applicant is expected to fulfill the requirements set forth below, and to have stable profitability as a Clearing Participant, before the date on which it is to obtain the JGB OTC Transaction Clearing Qualification:

(a) The amount of its stated capital is not less than three hundred million (300,000,000) yen;

(b) The amount of its net worth (*jun zaisan*) is not less than two and a half billion (2,500,000,000) yen;

(c) The Capital-to-Risk Ratio is more than two hundred (200) percent; and

(d) In the case of a Specified Financial Instruments Business Operator, the Consolidated Capital-to-Risk Ratio is more than two hundred (200) percent.

(2) The obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 is expected to be netted out at a ratio of not less than the ratio as prescribed by JSCC, if the Qualification Applicant obtains the JGB OTC Transaction Clearing Qualification.

(3) The matters set forth in Paragraph 1, Items (1) and (3).

(Article 8 Completion of Procedures for Obtaining JGB OTC Transaction Clearing Qualification)

1. When JSCC has approved the JGB OTC Transaction Clearing Qualification pursuant to the provisions of Article 6, Paragraph 4, JSCC shall cause the Qualification Applicant to deposit Initial Margin and JGB OTC Transaction Clearing Fund and complete other procedures that JSCC deems necessary for obtaining the JGB OTC Transaction Clearing Qualification on or before the day (if such day falls on a holiday, the day shall be the immediately preceding business day; the same applies hereinafter except for Article 53 and Article 54, Paragraph 1) which immediately precedes the date designated by JSCC pursuant to the provisions of Paragraph 6 of said Article.
2. When the Qualification Applicant (excluding a Qualification Applicant which is a Specified Successor Financial Institution) did not complete the procedures set forth in the preceding Paragraph on or before the day immediately preceding the date designated by JSCC pursuant to the provisions of Article 6, Paragraph 6, the application for the JGB OTC Transaction Clearing Qualification shall be deemed to have been withdrawn.
3. When JSCC approves the JGB OTC Transaction Clearing Qualification pursuant to Article 6, Paragraph 5, JSCC shall have the Qualification Applicant deposit Initial Margin and JGB OTC Transaction Clearing Fund and complete other procedures that JSCC deems necessary for obtaining the JGB OTC Transaction Clearing Qualification.

(Article 9 Date of Obtaining JGB OTC Transaction Clearing Qualification)

1. When the Qualification Applicant has completed the procedures set forth in Paragraph 1 or 3 of the preceding Article (in respect of the procedures under Paragraph 3 of the preceding Article, the provisions of this Paragraph shall apply only to those whose deadline for completion specified by JSCC is a date on or before the date designated by JSCC pursuant to the provisions of Article 6, Paragraph 6), JSCC shall grant the JGB OTC Transaction Clearing Qualification on the date designated by JSCC pursuant to the provisions of Article 6, Paragraph 6.
2. When JSCC grants the Qualification Applicant the JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Paragraph, JSCC shall notify the Qualification Applicant and each Clearing Participant to that effect.

(Article 9-2 Changing Classification of Clearing Qualification)

1. The provisions of Article 6, Paragraphs 1, 4, 6 and 7, Article 7, Paragraph 1 and the immediately preceding Article shall apply *mutatis mutandis* when a Clearing Participant

changes the classification of its Clearing Qualification. In this case, the term “obtaining the JGB OTC Transaction Clearing Qualification” in Article 6, Paragraphs 1, 4 and 7 shall be deemed to be replaced with “changing classification of the JGB OTC Transaction Clearing Qualification,” “applicant for obtaining the JGB OTC Transaction Clearing Qualification (hereinafter referred to as the “Qualification Applicant”)” in Article 6, Paragraph 4 shall be deemed to be replaced with “applicant for change of classification of JGB OTC Transaction Clearing Qualification,” “Qualification Applicant” in Article 6, Paragraph 7 and the immediately preceding Article shall be deemed to be replaced with “applicant for change of classification of Clearing Qualification,” “date on which the Qualification Applicant (it) is to obtain the JGB OTC Transaction Clearing Qualification” in Article 6, Paragraph 6 and Article 7, Paragraph 1, Item (2) shall be deemed to be replaced with “date on which the classification of the JGB OTC Transaction Clearing Qualification is to be changed,” “grant the JGB OTC Transaction Clearing Qualification” in Paragraph 1 of the immediately preceding Article shall be deemed to be replaced with “change the classification of the JGB OTC Transaction Clearing Qualification,” and “When JSCC grants the Qualification Applicant the JGB OTC Transaction Clearing Qualification” in Article 9, Paragraph 2 shall be deemed to be replaced with “When JSCC changes the classification of the JGB OTC Transaction Clearing Qualification.”

2. When a JGB OTC Transaction Agency Clearing Participant applies for changing classification of its Clearing Classification, it must perform all of its Outstanding Obligations (referring to the obligation of the Clearing Participant owed to JSCC in relation to JGB OTC Transaction Clearing Business which remain outstanding (excluding those obligations designated by JSCC at each occasion ; the same applies hereinafter) which relates to the Brokerage for Clearing of Securities, Etc. in advance.
3. Starting from the day (if such day falls on a holiday, next day which is not a holiday; the same applies hereinafter except for Article 23, Paragraph 1,) immediately following the date on which JSCC receives an application for change of the classification of the JGB OTC Transaction Clearing Qualification from JGB OTC Transaction Agency Clearing Participant, JSCC shall suspend new assumption of the obligations arising from the Brokerage for Clearing of Securities, Etc. for Transactions subject to Clearing to which such JGB OTC Transaction Agency Clearing Participant is a party.

(Article 9-3 Procedure for Guarantee by Parent Company, Etc.)

A Clearing Participant which has obtained JGB OTC Transaction Principal Clearing Qualification pursuant to the application stipulated in Article 6, Paragraph 1 or Paragraph 3 of the said Article may be granted a Guarantee by Parent Company, Etc., by causing the relevant parent Company, Etc. to submit the document in relation to the guarantee in a form prescribed by JSCC (including the document which JSCC approves as equivalent of the relevant document), when such Parent Company, Etc. satisfies the criteria specified in A) through H) of Article 7, Paragraph 2, Item (2).

Section 3 Obligation of Clearing Participants

(Article 10 Conclusion of Clearing Participant Agreement)

A Clearing Participant shall enter into the Clearing Participant Agreement in the form prescribed by JSCC with JSCC.

(Article 11 Clearing Participant's Representative)

1. A Clearing Participant shall, in accordance with the relevant rules of JSCC, register with JSCC in advance an individual designated from among its representative directors or representative executive officers (if the Clearing Participant is a Financial Instruments Business Operator which is a foreign entity or a foreign bank, from among its representatives in Japan holding a position at least equal to a director or an executive officer), who is appropriate to represent the Clearing Participant vis-a-vis JSCC as the Clearing Participant's representative.
2. Only the Clearing Participant's representative shall represent a Clearing Participant vis-a-vis JSCC; provided, however, that as for daily routine operations, a Clearing Participant may have a deputy conduct daily routine operations, specifying the scope of such operations and submitting such person to JSCC in advance.

(Article 12 Person in Charge of Settlement Business)

A Clearing Participant shall designate an individual to be in charge of supervising the business of the settlement of the Transactions Subject to Clearing from among its directors, officers or employees, and register such individual with JSCC in accordance with the relevant rules of JSCC.

(Article 13 Cooperative or Controlling Relationship with Directors, Officers, or Other

Persons)

1. When JSCC deems that a cooperative or controlling relationship with a director, officer or other person of a Clearing Participant is inappropriate taking into account JSCC's operation of the JGB OTC Transaction Clearing Business, JSCC may conduct a hearing for the Clearing Participant and request for a change, presenting the reason therefor; provided, however, that if the Clearing Participant submits a written statement, such submission of said statement may substitute the hearing.
2. When the Clearing Participant refuses the hearing set forth in the preceding Paragraph without a justifiable reason, JSCC may request for the change set forth in said Paragraph without a hearing.
3. When the Clearing Participant deems that the request for a change pursuant to Paragraph 1 is unwarranted, the Clearing Participant may file a petition in writing with JSCC by presenting the reason therefor within ten (10) days after the receipt of the notice of the request for a change.
4. When JSCC receives the petition set forth in the preceding Paragraph, it shall convene a meeting of its board of directors without delay.
5. If it was deemed appropriate to modify or withdraw the request for a change set forth in Paragraph 1 at the meeting of the board of directors set forth in the preceding Paragraph, such request for a change shall be immediately modified or withdrawn.

(Article 14 Payment of Fees by Clearing Participant)

A Clearing Participant shall pay the fees prescribed by the Subordinate Rules of JSCC to JSCC in accordance with those rules.

(Article 15 Deposit of Initial Margin and JGB OTC Transaction Clearing Fund)

A Clearing Participant shall deposit with JSCC, pursuant to the provisions in Chapter 9, Initial Margin and JGB OTC Transaction Clearing Fund to ensure the performance of its obligations owed to JSCC in respect of JGB OTC Transaction Clearing Business.

(Article 16 Prohibition of Transfer of Rights, Etc.)

A Clearing Participant shall not transfer, commit to transfer or provide as collateral to a third party its rights or claims against JSCC under these Business Rules.

(Article 17 Liability for JGB OTC Transaction Clearing Business)

JSCC shall not be held liable to indemnify against a Clearing Participant for any damages that has arisen on its business in relation to the JGB OTC Transaction Clearing Business conducted by JSCC, unless a willful misconduct or gross negligence on the part of JSCC is found.

(Article 18 Matters to be Notified)

1. When a Clearing Participant intends to carry out any of the following actions, it shall notify JSCC of the details in advance in accordance with the relevant rules of JSCC:
 - (1) Discontinuation of all or part of its business (limited to the case where the Clearing Participant ceases to fall under any of the entities as stipulated in each Item of Article 6, Paragraph 1 by such discontinuation of all or part of its business; the same applies hereinafter);
 - (2) Merger in which the Clearing Participant is merged into another company and becomes an extinct company, and merger in which the Clearing Participant merges with another company and establishes a new company;
 - (3) Dissolution of the Clearing Participant due to any reason other than a merger or a decision to commence bankruptcy proceeding;
 - (4) Succession of all or part of its business to another company due to a company split;
 - (5) Transfer of all or part of its business;
 - (6) Merger in which the Clearing Participant becomes a surviving company after merging with another company;
 - (7) Succession of all or part of business of another company due to a company split;
 - (8) Acquisition of all or part of business;
 - (9) Change in the trade name or corporate name (including a change in the trade name or corporate name in English);
 - (10) Change in the composition of its directors or officers; or
 - (11) Change in the location of its headquarters or principal office.
2. In addition to the provisions set forth in the preceding Paragraph, when a JGB OTC Transaction Agency Clearing Participant is to discontinue the operations in respect of the Brokerage for Clearing of Securities, Etc., it shall notify JSCC of the details in advance in accordance with the relevant rules of JSCC.
3. In addition to the provisions set forth in Paragraph 1, a Clearing Participant shall, if a Guarantee by Parent Company, Etc. by the Parent Company, Etc. has been extended, when its Parent Company, Etc. intends to carry out any of the actions listed in Items (1)

to (9) and (11) of said Paragraph, notify JSCC of the details in advance in accordance with the relevant rules of JSCC.

(Article 19 Matters to be Reported)

When a Clearing Participant falls under the circumstances prescribed by JSCC, it shall immediately report the details to JSCC.

(Article 20 Examination on Clearing Participant, Etc.)

1. In the event that JSCC conducts an examination on the status of the Clearing Participant's compliance with these Business Rules, Etc., or that JSCC conducts an examination on the financial condition of the Clearing Participant, or that JSCC conducts an examination on the certainty about the performance of the Clearing Participant's obligations owed to JSCC, or other event that JSCC deems it necessary to do so for its operation of the JGB OTC Transaction Clearing Business, JSCC may request the Clearing Participant to submit a report or document which should serve as reference regarding the business or assets of the Clearing Participant, or may cause its employees to inspect the Clearing Participant's business, financial condition, books, documents, or other materials.
2. The provisions of the preceding Paragraph shall apply *mutatis mutandis* to the cases where JSCC conducts an examination on the financial condition of Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for the Clearing Participant and other cases where JSCC deems it necessary to do so for the operation of its JGB OTC Transaction Clearing Business. In such case, the term "Clearing Participant" shall be deemed to be replaced with "Parent Company, Etc. (limited to Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. of the Clearing Participant)."

Section 3 Voluntary Renunciation of JGB OTC Transaction Clearing Qualification

(Article 21 Application for Renouncing JGB OTC Transaction Clearing Qualification)

1. When a Clearing Participant intends to renounce its JGB OTC Transaction Clearing Qualification, it shall apply for the renunciation of the JGB OTC Transaction Clearing Qualification in accordance with the relevant rules of JSCC.
2. When JSCC receives the application for renunciation of JGB OTC Transaction Clearing Qualification set forth in the preceding Paragraph, JSCC shall notify the Clearing

Participants to that effect.

(Article 22 Deleted)

(Article 23 Renouncing of JGB OTC Transaction Clearing Qualification)

1. In the case where a Clearing Participant applies for the renunciation of its JGB OTC Transaction Clearing Qualification pursuant to Article 21, Paragraph 1, Item (1), the Clearing Participant will renounce its JGB OTC Transaction Clearing Qualification either at the time JSCC assumes obligations as set forth in Article 44, Paragraph 2 on the 30th day from and including the day that follows the day on which such application was made or at the time when all Outstanding Obligations of the relevant Clearing Participant are cancelled, whichever is later; or if the application was made during a Default Settlement Period Etc. for such Clearing Participant (and if another Clearing Participant is determined to be in Default, Etc. during such period, such period shall be extended until the day on which 30 days have elapsed from the Default Determination Date for such other Clearing Participant, and if any further Clearing Participant is determined to be in Default, Etc. during such extended period, such period shall be further extended in the same manner); the same applies hereinafter) or a Default Settlement Period commences during the period from the day on which such application was made until the renunciation of the JGB OTC Transaction Clearing Qualification of such Clearing Participant becomes effective, either at the time designated by JSCC on the day on which the Default Settlement Period ends or at the time when all Outstanding Obligations of the relevant Clearing Participant are cancelled, whichever is later.
2. In the event that a JGB OTC Transaction Clearing Participant renounces its JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Paragraph, JSCC shall notify the Clearing Participant renouncing JGB OTC Transaction Clearing Qualification and each Clearing Participant to that effect.

(Article 24 Special Provisions for Merger, Etc. of Clearing Participant Renouncing JGB OTC Transaction Clearing Qualification)

Notwithstanding the provisions of Paragraph 1 of the preceding Article, when JSCC deems it unnecessary to have a Clearing Participant who applies for renunciation of its JGB OTC Transaction Clearing Qualification cancel all of its Outstanding Obligations in

certain cases like that it is merged into, or causes its business through a corporate divestiture to be succeeded to by, or causes its business to be transferred to, another company that is to acquire or has already acquired the JGB OTC Transaction Clearing Qualification simultaneously with its renunciation of JGB OTC Transaction Clearing Qualification, such Clearing Participant renounces its JGB OTC Transaction Clearing Qualification at the time designated by JSCC on a case-by-case basis.

(Article 25 Application of Business Rules After Renunciation of JGB OTC Transaction Clearing Qualification)

When the JGB OTC Transaction Clearing Qualification of a Clearing Participant is renounced, if there are claims and obligations which have generated based on any cause that has occurred before such renunciation, the provisions of these Business Rules, Etc. shall apply to such claims and obligations.

(Article 26 Refund of Initial Margin and JGB OTC Transaction Clearing Fund upon Renunciation of JGB OTC Transaction Clearing Qualification)

When the JGB OTC Transaction Clearing Qualification of a Clearing Participant is renounced (including renunciation due to a revocation of JGB OTC Transaction Clearing Qualification; the same applies hereinafter in this Article and the following Article), JSCC shall refund the Initial Margin and JGB OTC Transaction Clearing Fund on or after the date of the renunciation; provided, however, that if there remains Outstanding Obligations of the Clearing Participant which renounced its JGB OTC Transaction Clearing Qualification, or if JSCC otherwise deems it necessary, JSCC may suspend the refund of the Initial Margin and JGB OTC Transaction Clearing Fund until such reason ceases to exist.

(Article 27 Satisfaction of Obligations upon Renunciation of JGB OTC Transaction Clearing Qualification)

The entity which has renounced the JGB OTC Transaction Clearing Qualification shall apply the Money and securities to be refunded from JSCC toward the satisfaction of all of its obligations owed to JSCC as a Clearing Participant.

Section 4 Measures to be Taken with respect to Clearing Participants

(Article 28 Measures to be Taken When Clearing Participants Violate Business Rules, Etc.)

1. When JSCC deems that a Clearing Participant falls under any of the following Items, JSCC may conduct a hearing for the relevant Clearing Participant in advance and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which the relevant Clearing Participant is a party, or to rescind the JGB OTC Transaction Clearing Qualification of the relevant Clearing Participant. In such case, the revocation of the JGB OTC Transaction Clearing Qualification shall require a resolution adopted at a meeting of the board of directors:
 - (1) When the Clearing Participant fails to submit the notification set forth in Article 18 or the report set forth in Article 19, or submits any false notification/report;
 - (2) When the Clearing Participant refuses, interferes with or evades the inspection set forth in Article 20, or fails to submit the report/document or submits any false report/document pursuant to said Article;
 - (3) When its business execution structure is deemed to be flawed; or
 - (4) In addition to the events described in the preceding three (3) Items, when the Clearing Participant violates these Business Rules, Etc., or measures taken pursuant to those rules, or when the Clearing Participant damages the reputation of JSCC or other Clearing Participants and JSCC deems it necessary taking into account its operation of the JGB OTC Transaction Clearing Business.
2. When a Clearing Participant falls under any of the following Items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party and/or any other measures that are deemed necessary and appropriate by JSCC, presenting the reason therefor:
 - (1) When the Clearing Participant refuses to comply with a request made pursuant to the provisions of Article 13 to change the cooperative or controlling relationship with a director, officer or other person;
 - (2) When a majority of the voting rights of all the shareholders or a majority of the voting rights relating to capital contributions has been held by the one who is or are deemed inappropriate taking into account JSCC's operation of the JGB OTC Transaction Clearing Business; or
 - (3) When a person holding the same or greater degree of control over the Clearing Participant as or than that held by a director or an executive officer, whether such

person holds a title of consultant, advisor or otherwise, is deemed inappropriate taking into account JSCC's operation of the JGB OTC Transaction Clearing Business.

3. When a Clearing Participant falls under any of the following Items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party until the relevant condition ceases to exist:
- (1) When the amount of its stated capital or the total amount of capital contribution becomes less than three hundred million (300,000,000) yen and a swift recovery from such condition cannot be expected;
 - (2) When the amount of its net worth (*jun zaisan*) (in the case of an entity that is not a Financial Instruments Business Operator, the amount of its net assets (*jun shisan*)) becomes less than one billion (1,000,000,000) yen and a swift recovery from such condition cannot be expected;
 - (3) In the case of a Financial Instruments Business Operator, when the Capital-to-Risk Ratio becomes below one hundred and forty (140) percent and a swift recovery from such condition cannot be expected, and in the case of a Securities Finance Company or a Call Loan Dealer, when it falls under circumstances similar thereto;
 - (4) In the case of a Specified Financial Instruments Business Operator, when the Consolidated Capital-to-Risk Ratio becomes below one hundred and forty (140) percent and a swift recovery from such condition cannot be expected;
 - (5) In the case of a financial institution subject to Uniform International Standards, when any one of the events set forth in A) to C) below occurs with respect to it (in the case of a foreign bank, any event equivalent thereto occurs and JSCC determines it necessary):
 - A) Its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 4.5 percent and a swift recovery from such condition cannot be expected;
 - B) Its non-consolidated or consolidated Tier 1 ratio becomes less than 6 percent and a swift recovery from such condition cannot be expected; or
 - C) Its non-consolidated or consolidated Total Capital ratio becomes less than 8 percent and a swift recovery from such condition cannot be expected;
 - (6) In the case of a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the domestic standards becomes below four (4) percent, and a swift recovery from such condition

- cannot be expected; or
- (7) In the case of an insurance company, when its non-consolidated or consolidated solvency margin ratio becomes below two hundred (200) percent and a swift recovery from such condition cannot be expected.
4. In the event that a Clearing Participant is a JGB OTC Transaction Agency Clearing Participant and falls under any of the following Items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations (limited to the obligations relating to the Brokerage for Clearing of Securities, Etc.) under the Transactions Subject to Clearing to which such Clearing Participant is a party until the relevant condition ceases to exist:
- (1) When the amount of its stated capital or the total amount of capital contribution becomes less than three hundred million (300,000,000) yen and a swift recovery from such condition cannot be expected;
- (2) When the amount of its net worth (*jun zaisan*) (in the case of an entity that is not a Financial Instruments Business Operator, the amount of its net assets (*jun shisan*)) becomes less than twenty billion (20,000,000,000) yen and a swift recovery from such condition cannot be expected;
- (3) In the case of a Financial Instruments Business Operator, when its Capital-to-Risk Ratio becomes below two hundred (200) percent and a swift recovery from such condition cannot be expected, and in the case of a Securities Finance Company or a Call Loan Dealer, when deemed necessary by JSCC under circumstances similar thereto;
- (4) In the case of a Specified Financial Instruments Business Operator, when its Consolidated Capital-to-Risk Ratio becomes below two hundred (200) percent and a swift recovery from such condition cannot be expected;
- (5) In the case of a financial institution subject to Uniform International Standards, when any one of the events set forth in A) to C) below occurs with respect to it (in the case of a foreign bank, when any event equivalent thereto occurs and JSCC determines it necessary)
- A) Its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 4.5 percent and a swift recovery from such condition cannot be expected;
- B) Its non-consolidated or consolidated Tier 1 ratio becomes less than 6 percent and a swift recovery from such condition cannot be expected; or
- C) Its non-consolidated or consolidated Total Capital ratio becomes less than 8

percent and a swift recovery from such condition cannot be expected;

(6) In the case of a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the domestic standards becomes below four (4) percent, and a swift recovery from such condition cannot be expected; or

(7) In the case of an insurance company, when its non-consolidated or consolidated solvency margin ratio becomes below four hundred (400) percent and a swift recovery from such condition cannot be expected.

5. When a Clearing Participant falls under any of the following items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party (in the case of Item (1), excluding the transactions for which a Trust Account is to be used, and in the case of Item (2), limited to the transactions for which a Trust Account is to be used):

(1) When the amount of net worth (*jun-zaisan*) (in the case of a Parent Company, etc that is not a Financial Instruments Business Operator, the amount of net assets (*jun-shisan*) or the amount equivalent thereto) of a Clearing Participant (in the case where for such Clearing Participant, a Guarantee by Parent Company, Etc. has been extended, the Parent Company, Etc. of such Clearing Participant (limited to Parent Company, Etc. which extends a Guarantee by Parent Company, Etc.)) becomes less than the amount of Money prescribed by JSCC and a swift recovery from such condition cannot be expected; or

(2) When the amount of balance of Japanese government bonds in the balance of trust assets delegated to a Clearing Participant which is the trustee of a trust multiplied by the value specified by JSCC becomes less than the amount of Money prescribed by JSCC and a swift recovery from such condition cannot be expected.

6. In the event that a Clearing Participant intends to carry out any of the actions as stipulated in Article 18, Paragraph 1, Items (1) to (5) (in the case of Item (4) of said Paragraph, limited to the succession of all of its business, and in the case of Item (5) of said Paragraph, limited to the transfer of all of its business), if it does not apply for renouncing the JGB OTC Transaction Clearing Qualification, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party.

7. In the event that a JGB OTC Transaction Agency Clearing Participant intends to discontinue the operations in respect of the Brokerage for Clearing of Securities, Etc., if it does not apply for renouncing the JGB OTC Transaction Clearing Qualification, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations (limited to those related to the Brokerage for Clearing of Securities, Etc.) under the Transactions Subject to Clearing to which such Clearing Participant is a party.
8. When the Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for a Clearing Participant falls under any of the Items in Paragraph 4, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party until the relevant condition ceases to exist.
9. In the event that the Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for a Clearing Participant intends to cancel its Guarantee by Parent Company, Etc. as stipulated in said Paragraph or to carry out any of the actions as stipulated in Article 18, Paragraph 1, Items (1), (3), (4) and (5) (in the case of Item (4) of said Paragraph, limited to the succession of all of its business, and in the case of Item (5) of said Paragraph, limited to the transfer of all of its business), if said Clearing Participant does not apply for renouncing the JGB OTC Transaction Clearing Qualification, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party.
10. When the obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 was not netted out at a ratio of not less than the ratio as prescribed by JSCC in relation to a Clearing Participant which has obtained the JGB OTC Transaction Clearing Qualification through the application as stipulated in Article 6, Paragraph 3, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party.

(Article 29 Measures against Clearing Participant for which JSCC has Suspended Assumption of Obligations Due to Failure to Apply for Renouncing JGB OTC Transaction Clearing Qualification upon Discontinuation of Business, Etc.)

1. In the event that JSCC has, pursuant to Paragraph 6 of the preceding Article,

suspended assumption of the obligations under the Transactions Subject to Clearing to which a Clearing Participant is a party, JSCC may cause such Clearing Participant to make arrangements that JSCC deems necessary.

2. JSCC may, in order to make the arrangements set forth in the preceding Paragraph or otherwise to the extent that JSCC deems necessary, carry out assumption of the obligations under the Transactions Subject to Clearing to which the relevant Clearing Participant is a party.

(Article 29-2 Increasing in Required Initial Margin Amount for Clearing Participant based on Credit Standing)

When JSCC deems that a Clearing Participant falls under any of the following events according to the classification of the cases set forth in each of the following Items, JSCC may increase the Required Initial Margin Amount in respect of the Clearing Participant as prescribed by JSCC:

- (1) In the case where the Clearing Participant (excluding the Clearing Participant for which the Guarantee by Parent Company, Etc. has been extended pursuant to the provisions in Article 9-3) is granted JGB OTC Transaction Clearing Qualification by an application made pursuant to Article 6, Paragraph 1 or 3:
 - a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio; the same applies in this Article) falls below the level set by JSCC, and it falls on any of the cases designated by JSCC as the case where a Clearing Participant may not be sufficiently creditworthy (or where the Clearing Participant is a Securities Finance Company or a Call Loan Dealer, it falls under any similar situation);
 - b. In the case where the Clearing Participant is a Bank, when its non-consolidated or consolidated capital adequacy ratio fall below the level set by JSCC, and it falls on any of the cases designated by JSCC as the case where a Clearing Participant may not be sufficiently creditworthy;
 - c. In the case where the Clearing Participant is an insurance company, when its non-consolidated or consolidated solvency margin ratio falls below the level set by JSCC, and it falls on any of the cases designated by JSCC as the case where a Clearing Participant may not be sufficiently creditworthy; and

- d. In the case where the Clearing Participant falls on any of the cases designated by JSCC as the case where a Clearing Participant is not sufficiently creditworthy.
- (2) In the case where the Clearing Participant for which a Guarantee by Parent Company, Etc. by its Parent Company, Etc has been extended.:
- a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio falls below the level set by JSCC, and its Parent Company falls on any of the cases designated by JSCC as the case where such Parent Company may not be sufficiently creditworthy (or where the Clearing Participant is a Securities Finance Company or a Call Loan Dealer, it falls under any similar situation);
 - b. In the case where the Clearing Participant is a Bank, when its non-consolidated or consolidated capital adequacy ratio fall below the level set by JSCC, and its Parent Company falls on any of the cases designated by JSCC as the case where such Parent Company may not be sufficiently creditworthy;
 - c. In the case where the Clearing Participant is an insurance company, when its non-consolidated or consolidated solvency margin ratio falls below the level set by JSCC, and the Parent Company of the Clearing Participant falls on any of the cases designated by JSCC as the case where such ,Parent Company, Etc. may not be sufficiently creditworthy; and
 - d. In the case where the ,Parent Company, Etc. of the Clearing Participant falls on any of the cases designated by JSCC as the case where the Parent Company, Etc. is not sufficiently creditworthy.
- (Article 30 Lifting of the Measures such as Suspension of Assumption of Obligations)
- 1. In the event that JSCC has suspended assumption of obligations (excluding the suspension of assumption of obligations made only in respect of the obligations pertaining to the Brokerage for Clearing of Securities, Etc.) pursuant to the provisions of Article 28 without specifying its duration, the Clearing Participant subject to such suspension, when it has eliminated the reason for such suspension, may file a petition together with explanatory documents for the lifting of such suspension.
 - 2. When JSCC deems it appropriate to lift the suspension based on the petition set forth in the preceding Paragraph, JSCC shall approve such petition.
 - 3. In the event that the Clearing Participant subject to the suspension set forth in Paragraph 1 fails to obtain the approval set forth in the preceding Paragraph within one

(1) year from the day on which the suspension referred to in said Paragraph was commenced, JSCC may rescind the JGB OTC Transaction Clearing Qualification of such Clearing Participant by a resolution adopted at the meeting of the board of directors.

4. The provisions of the preceding three (3) Paragraphs shall apply *mutatis mutandis* to the case where JSCC has suspended assumption of obligations (limited to the suspension of assumption of obligations made only in respect of the obligations pertaining to the Brokerage for Clearing of Securities, Etc.) pursuant to the provisions of Article 28 without specifying its duration. In such case, the term “may rescind the JGB OTC Transaction Clearing Qualification of” in the preceding Paragraph shall be deemed to be replaced with “may rescind the JGB OTC Transaction Agency Clearing Qualification of and grant the JGB OTC Transaction Principal Clearing Qualification to.”

(Article 31 Making Petition, Etc.)

The proviso to Paragraph 1 of Article 13 and Paragraph 2 of said Article shall apply *mutatis mutandis* to the hearing set forth in Article 28, and Paragraphs 3 to 5 of Article 13 shall apply *mutatis mutandis* to the measures set forth in Article 28, respectively.

(Article 32 Measures against Clearing Participant Having Ceased to be a Financial Instruments Business Operator)

A Clearing Participant shall forfeit its JGB OTC Transaction Clearing Qualification when any of the following events occurs to it:

- (1) When it ceases to fall under any of the Items in Article 6, Paragraph 1; or
- (2) When it is dissolved.

(Article 33 The Disciplinary Measures Assessment Committee)

- 1. When JSCC intends to take any of the measures set forth in Article 28 with respect to a Clearing Participant, JSCC shall consult with the Disciplinary Measures Assessment Committee in advance about the appropriateness of taking the relevant measure and respect the opinion of the Committee.
- 2. Notwithstanding the provisions of the preceding Paragraph, when there is an urgent need therefor, JSCC shall be permitted to take such measure without consulting with the Disciplinary Measures Assessment Committee.
- 3. In addition to the provisions prescribed in the preceding two Paragraphs, matters

concerning the Disciplinary Measures Assessment Committee shall be prescribed by JSCC in the Subordinate Rules.

(Article 34 Notice of Measures, Etc.)

1. When JSCC is to suspend assumption of all or part of obligations, or to rescind JGB OTC Transaction Clearing Qualification pursuant to these Business Rules, JSCC shall notify the relevant Clearing Participant to that effect in advance.
2. The provisions of the preceding Paragraph shall apply *mutatis mutandis* to the case where a Clearing Participant has forfeited the JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Article. In such case, the term “in advance” in said Paragraph shall be deemed to be replaced with “immediately.”
3. When JSCC has suspended assumption of all or part of the obligations pursuant to these Business Rules, or rescinded JGB OTC Transaction Clearing Qualification of a Clearing Participant; or when a Clearing Participant has forfeited the JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Article, JSCC shall notify each Clearing Participant to that effect.

(Article 35 Handling of Unsettled Transactions for Clearing belonging to Entities whose JGB OTC Transaction Clearing Qualification have been Rescinded, Etc.)

1. When JSCC has rescinded the JGB OTC Transaction Clearing Qualification pursuant to these Business Rules, or when a Clearing Participant has forfeited its JGB OTC Transaction Clearing Qualification pursuant to the provisions of Article 32, JSCC may cause the relevant Clearing Participant to make arrangements that JSCC deems necessary.
2. The relevant former Clearing Participant set forth in the preceding Paragraph shall continue to be deemed as a Clearing Participant for the purpose of performing Outstanding Obligations belonging to such former Clearing Participant or of making arrangements, or otherwise to the extent JSCC deems necessary.

(Article 36 Recommendations to Clearing Participants)

1. When JSCC determines that the operational or financial condition of a Clearing Participant is not appropriate taking into account JSCC's operations of the JGB OTC Transaction Clearing Business, JSCC may recommend the relevant Clearing Participant to take appropriate measures.

2. In the event that JSCC has made the recommendations set forth in the preceding Paragraph and deems it is necessary to do so, JSCC may request the relevant Clearing Participant to submit a report with respect to its responsive measures taken.

Chapter 3 Brokerage for Clearing of Securities, Etc.

(Article 37 Transactions Eligible for Brokerage for Clearing of Securities, Etc.)

The transactions which can be the subject of the Brokerage for Clearing of Securities, Etc. to be executed by a JGB OTC Transaction Agency Clearing Participant are the transactions set forth in Article 4, Paragraph 2, Item (5).

(Article 38 Matters to be Specified at the Time of Commission)

A Clearing Participant shall, when accepting a commission of the Brokerage for Clearing of Securities, Etc. as stipulated in the preceding Article, confirm with the relevant customer in advance that the matters listed in each of the following Items have been specified for each subject transaction:

- (1) The Clearing Participant which is a counterparty to the subject transaction;
- (2) Whether the transaction that is the basis of the subject transaction is a Buying and Selling of the Japanese government bonds, a Cash-secured Bond Lending or Borrowing Transaction, a Standard Repo Transaction or a Subsequent Collateral Allocation Repo Transaction, Etc.;
- (3) Whether the Japanese government bonds are to be received or delivered;
- (4) The issue and quantity of the Japanese government bonds (For a Subsequent Collateral Allocation Repo Transaction, Etc., the Basket);
- (5) The amount of Money involved in the subject transaction; and
- (6) The day on which the Japanese government bonds are delivered/received and Money is paid/received.

(Article 39 Segregation of Transactions Subject to Clearing)

1. A JGB OTC Transaction Agency Clearing Participant shall manage the Transactions Subject to Clearing, segregating those pursuant to the Brokerage for Clearing of Securities, Etc. from those that are not.
2. A JGB OTC Transaction Agency Clearing Participant shall manage the Transactions Subject to Clearing pursuant to the Brokerage for Clearing of Securities, Etc. by

opening a Netting Account for each customer and separately by each Netting Account.

(Article 39-2 Reporting of Matters Concerning Brokerage for Clearing of Securities, Etc.)

JSCC may request that a JGB OTC Transaction Agency Clearing Participant report to JSCC names of its customers and other matters which JSCC considers necessary for risk management purpose in relation to the transactions based on the Brokerage for Clearing of Securities, Etc.

Chapter 4 Assumption of Obligations

(Article 40 Application for Assumption of Obligations)

1. A Clearing Participant shall, when it requests JSCC to assume the obligations under the Transactions Subject to Clearing to which it is a party, submit an application for assumption of the obligations to JSCC for each Transaction Subject to Clearing in accordance with the method prescribed by JSCC.
2. The application to JSCC as stipulated in the preceding Paragraph shall be made to JSCC jointly by the parties to the relevant transaction, for each type of transactions as stipulated in each of the following Items, stating the matters as stipulated in each Item:
 - (1) Buying and Selling, Etc. of Japanese Government Bonds
 - A) The names of the Selling Clearing Participant and the Buying Clearing Participant;
 - B) The Netting Account of the Selling Clearing Participant and the Buying Clearing Participant;
 - C) The contract day;
 - D) The issue and quantity of the Japanese government bonds;
 - E) The amount of Money to be paid/received on the Buying/Selling Settlement Day;
 - F) The Buying/Selling Settlement Day; and
 - G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
 - (2) Cash-secured Bond Lending Transaction, Etc.
 - A) The names of the Lending Clearing Participant and the Borrowing Clearing Participant;
 - B) The Netting Account of the Lending Clearing Participant and the Borrowing

Clearing Participant;

- C) The contract day;
 - D) The issue and quantity of the Japanese government bonds;
 - E) The amount of Money to be paid/received on the Transaction Execution Day and the amount of Money to be paid/received on the Transaction Settlement Day;
 - F) The Transaction Execution Day and the Transaction Settlement Day; and
 - G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
- (3) Standard Repo Transaction Etc.
- A) The names of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant;
 - B) The Netting Account of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant;
 - C) The contract day;
 - D) The issue and quantity of the Japanese government bonds;
 - E) The Starting Delivery Amount and the Ending Delivery Amount;
 - F) The Starting Transaction Delivery Day and the Ending Transaction Delivery Day; and
 - G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
- (4) Subsequent Collateral Allocation Repo Transaction, Etc
- A) The names of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant;
 - B) The Netting Account of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant (When the Netting Account of the Repo Selling Clearing Participant or the Netting Account of the Repo Buying Clearing Participant is a Trust Account, the Netting Account and the matters classifying unit of netting) ;
 - C) The contract day;
 - D) The Basket;
 - E) The Starting Delivery Amount and the Ending Delivery Amount;
 - F) The Starting Transaction Delivery Day and the Ending Transaction Delivery Day; and
 - G) If the relevant transaction is resulting from the Brokerage for Clearing of

Securities, Etc., to that effect.

3. A Clearing Participant shall, when it requests JSCC to assume obligations under the Transactions Subject to Clearing, submit an application within the period as prescribed in each of the following Items and based on the classification referenced in each Item; provided, however, that if JSCC deems it impossible or difficult to submit an application for assumption of obligations due to a failure of the system installed in JSCC or other institutions which is needed to submit the application or some other unavoidable reasons, JSCC may change this period. In such case, JSCC shall notify Clearing Participants thereof in advance.
 - (1) Individual Issue Transaction: From 6:30 P.M. of the immediately preceding day of the day on which obligations are to be assumed to 6:30 P.M. of the day on which assumption of obligations is to be executed;
 - (2) Subsequent Collateral Allocation Repo Transaction, Etc., for which Starting Transaction Delivery Day arrives on the immediately following day of the contract day: From 2:00 P.M. of the immediately preceding day of the day on which assumption of obligations is to be executed to 2:00 P.M. of the day on which assumption of obligations is to be executed; and
 - (3) Subsequent Collateral Allocation Repo Transaction, Etc., for which Starting Transaction Delivery Day is the contract day: From 7:00 A.M. to 2:00 P.M. of the day on which assumption of obligations is to be executed.
4. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may submit an application as stipulated in Paragraph 1 through its agent.
5. If the Repo Selling Clearing Participant and the Repo Buying Clearing Participant submit an application related to the Subsequent Collateral Allocation Repo Transaction, Etc. (excluding those for which Ending Transaction Delivery Day arrives on the immediately following day of Starting Transaction Delivery Day) as stipulated in Paragraph 1, the Clearing Participant shall be deemed to agree that the Unwind Monetary Payment Obligation, the Unwind JGB Delivery Obligation (Basket), the Rewind Monetary Payment Obligation and the Rewind JGB Delivery Obligation (Basket) between the Repo Selling Clearing Participant and the Repo Buying Clearing Participant. Those obligations shall arise at the time (if this time for the application is changed pursuant to proviso to said Paragraph, such changed time) specified for each type of transaction as

prescribed in Article 44, Paragraph 2, Items (2) to (4) and based on the classification referenced therein.

(Article 41 Application for Assumption of Obligations Related to Substitution)

1. Notwithstanding the provisions of the preceding Article, a Clearing Participant shall submit an application for assumption of obligations to JSCC by the method prescribed by JSCC when it requests JSCC to assume the obligations related to Substitution for the Standard Repo Transactions, Etc.
2. An application for assumption of obligations related to Substitution as stipulated in the preceding Paragraph shall be submitted to JSCC jointly by the parties to the relevant Substitution stating the matters as stipulated in each of the following Items:
 - (1) The Original Repo Transaction, Etc.;
 - (2) The amount of Money to be paid/received on the Substitution Execution Day;
 - (3) The Substitution Execution Day; and
 - (4) The issue and quantity of the Japanese government bonds related to the Repo Transaction, Etc., After Issue Change.
3. The provisions of Paragraphs 3 and 4 of the preceding Article shall apply *mutatis mutandis* to an application for assumption of obligations as stipulated in Paragraph 1.

(Article 42 Application for Assumption of Obligations With Specific Settlement Day, Etc. as a Condition)

1. Notwithstanding the provisions of preceding two (2) Articles, a Clearing Participant may, by the method prescribed by JSCC for a specified period, apply to JSCC for assumption only of such obligations that are to be settled on or after a specified day (hereinafter referred to as the "Obligation Assumption Base Date") for the Transactions Subject to Clearing (excluding Subsequent Collateral Allocation Repo Transaction, Etc.) specified in advance.
2. When a Clearing Participant intends to apply for assumption of obligations as stipulated in the preceding Paragraph, it shall notify the matters as stipulated in each of the following Items in advance in accordance with the relevant rules of JSCC. In such case, the period during which a Clearing Participant may apply for assumption of obligations as stipulated in the preceding Paragraph shall commence at 6:30 P.M. on the day immediately preceding the starting day of the period for application for assumption of obligations as stipulated in Item (3) (if this period for the application is changed

pursuant to the provisions of proviso to Paragraph 3 of Article 40, within such changed period) to 6:30 P.M. on the day immediately preceding the Obligation Assumption Base Date as stipulated in Item (2) (if this period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40, within such changed period):

- (1) Matters by which the Transactions Subject to Clearing can be identified as those related to an application for assumption of obligations as stipulated in the preceding Paragraph;
- (2) Obligation Assumption Base Date; and
- (3) The starting day of the period for application for assumption of obligations (the starting day of the period during which a Clearing Participant may request JSCC to assume obligations by submitting an application as stipulated in the preceding Paragraph. The same shall apply hereinafter).

3. An application for assumption of obligations as stipulated in Paragraph 1 (excluding an application for assumption of obligations related to Substitution) shall be submitted to JSCC jointly by the parties to the relevant transaction stating, in addition to the matters as stipulated in Article 40, Paragraph 2, Items (1) to (3), the matters by which the Transactions Subject to Clearing can be identified as notified pursuant to the provisions of the preceding Paragraph.
4. An application for assumption of obligations as stipulated in Paragraph 1 (limited to an application for assumption of obligations related to Substitution) shall be submitted to JSCC jointly by the parties to the relevant transaction stating, in addition to the matters as stipulated in each Item of Paragraph 2 of the preceding Article, the matters by which the Transactions Subject to Clearing can be identified as notified pursuant to the provisions of Paragraph 2.
5. In the event that an application for assumption of obligations as stipulated in Paragraph 1 is submitted by a Clearing Participant, the notice as stipulated in Paragraph 2 for the Transactions Subject to Clearing related to such application shall be deemed to have been made by the Clearing Participant which is a counterparty to such Transactions Subject to Clearing; provided, however, that if the notice as stipulated in Paragraph 2 in relation to such Transactions Subject to Clearing has been separately submitted by such Clearing Participant which is the counterparty, the days as stipulated in Items (2) and (3) of said Paragraph to be stated in the notice shall be deemed to be such days that arrive later.
6. The provisions of Paragraphs 3 and 4 of Article 40 shall apply *mutatis mutandis* to an

application for assumption of obligations as stipulated in Paragraph 1.

(Article 43 Rescission of Application for Assumption of Obligations)

1. When a Clearing Participant intends to rescind its application for assumption of obligations as stipulated in Article 40, Paragraph 1, Article 41, Paragraph 1 and Article 42, Paragraph 1, it shall do so by the method to deliver prescribed by JSCC.
2. JSCC shall accept rescission of an application for assumption of obligations as stipulated in the preceding Paragraph only when such rescission is requested prior to executing assumption of obligations under the Transactions Subject to Clearing related to such application pursuant to the provisions of the following Article and Article 45.
3. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may request rescission as stipulated in Paragraph 1 through its agent.

(Article 44 Assumption of Obligations)

1. Assumption of obligations by JSCC as the JGB OTC Transaction Clearing Business upon application for assumption of obligations as stipulated in Article 40, Paragraph 1 and Article 41, Paragraph 1 shall be executed as prescribed in each of the following Items and based on the classification referenced in each:

(1) Buying and Selling, Etc. of Japanese Government Bonds

When an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to a Buying and Selling, Etc. of Japanese Government Bonds is submitted by 6:30 P.M. of the day immediately preceding the Buying/Selling Settlement Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period), JSCC shall, in respect of such Buying and Selling, Etc. of Japanese Government Bonds and based on the contents of such application, assume the Selling Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds on the Buying/Selling Settlement Day) owed to the Buying Clearing Participant which is the Selling Clearing Participant's counterparty in such a manner to discharge the relevant Selling Clearing Participant from the relevant obligation, and simultaneously such Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Buying Clearing Participant's

obligations (referring to the obligation to pay the amount of Money to be paid/received on the Buying/Selling Settlement Day) owed to the Selling Clearing Participant which is the Buying Clearing Participant's counterparty in such a manner to discharge the relevant Buying Clearing Participant from the relevant obligations, and simultaneously such Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(2) Cash-secured Bond Lending Transaction, Etc.

A) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Cash-secured Bond Lending Transaction, Etc. is submitted by 6:30 P.M. of the day immediately preceding the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period): JSCC shall, in respect of such Cash-secured Bond Lending Transaction, Etc. and based on the contents of such application, assume the Lending Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds on the Transaction Execution Day and the obligation to pay the amount of Money to be paid/received on the Transaction Settlement Day) owed to the Borrowing Clearing Participant which is the Lending Clearing Participant's counterparty in such a manner to discharge the relevant Lending Clearing Participant from the relevant obligation, and simultaneously such Lending Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Borrowing Clearing Participant's obligations (referring to the obligation to pay the amount of Money to be paid/received on the Transaction Execution Day, the obligation to deliver the Japanese government bonds on the Transaction Settlement Day, and Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc.") owed to the Lending Clearing Participant which is the Borrowing Clearing Participant's counterparty in such a manner to discharge the relevant Borrowing Clearing Participant from the relevant obligations, and simultaneously such Borrowing Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

B) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Cash-secured Bond Lending Transaction, Etc. is

submitted between 6:30 P.M. of the day immediately preceding the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period) and 6:30 P.M. of the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to said Paragraph, within such changed period):

JSCC shall, in respect of such Cash-secured Bond Lending Transaction, Etc. and based on the contents of such application, assume the Lending Clearing Participant's obligations (referring to the obligation to pay the amount of Money to be paid/received on the Transaction Settlement Day) owed to the Borrowing Clearing Participant which is the Lending Clearing Participant's counterparty in such a manner to discharge the relevant Lending Clearing Participant from the relevant obligations, and simultaneously such Lending Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Borrowing Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc. on the Transaction Settlement Day) owed to the Lending Clearing Participant which is the Borrowing Clearing Participant's counterparty in such a manner to discharge the relevant Borrowing Clearing Participant from the relevant obligations, and simultaneously such Borrowing Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(3) Standard Repo Transaction, Etc.

A) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Standard Repo Transaction, Etc. is submitted by 6:30 P.M. of the day immediately preceding the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, before such changed period):

JSCC shall, in respect of such Standard Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds on the Starting Transaction Delivery Day and the Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the

Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the Starting Monetary Payment Obligation, the obligation to deliver the Japanese government bonds on the Ending Transaction Delivery Day, and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc.) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

- B) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Standard Repo Transaction, Etc. is submitted between 6:30 P.M. of the day immediately preceding the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period) and 6:30 P.M. of the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to said Paragraph, within such changed period):

JSCC shall, in respect of such Standard Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. on the Ending Transaction Delivery Day) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the

relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

- C) Where an application for assumption of obligations as stipulated in Article 41, Paragraph 1 in relation to Substitution related to Standard Repo Transaction, Etc. is submitted by 6:30 P.M. of the day immediately preceding the Substitution Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40 which is applied *mutatis mutandis* pursuant to Paragraph 3 of said Article, within such changed period): JSCC shall, in respect of such Substitution and based on the contents of such application, assume the obligations of the Repo Selling Clearing Participant related to the Original Repo Transaction, Etc. (referring to the obligation as stipulated in Article 2, Item (38), A), (a), the obligation as stipulated in A), (d) of said Item, the obligation as stipulated in A), (e) of said Item, the obligation to deliver the Japanese government bonds related to the Repo Transaction, Etc. After Issue Change on the Substitution Execution Day and Monetary Payment Obligation with respect to the Repo Transaction, Etc. After Issue Change) owed to the Repo Buying Clearing Participant related to the Original Repo Transaction, Etc. which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the obligation of the Repo Buying Clearing Participant related to the Original Repo Transaction, Etc. (referring to the obligation as stipulated in Article 2, Item (38), A)(b), the obligation as stipulated in A) (c) of said Item, the obligation to pay the amount of Money to be paid/received for the Repo Transaction, Etc. After Issue Change on the Substitution Execution Day, the obligation to deliver the Japanese government bonds related to the Repo Transaction, Etc. After Issue Change on the Ending Transaction Delivery Day with respect to the Repo Transaction, Etc. After Issue Change and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. in relation to the Repo Transaction, Etc. After Issue Change) owed to the Repo Selling Clearing Participant related to the Original Repo Transaction, Etc. which is the Repo Buying Clearing Participant's counterparty in

such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(4) Subsequent Collateral Allocation Repo Transaction, Etc.

JSCC shall, in respect of such Subsequent Collateral Allocation Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to the Starting JGB Delivery Obligation (Basket), the Unwind Monetary Payment Obligation, the Rewind JGB Delivery Obligation (Basket) and the Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the Starting Monetary Payment Obligation, the Unwind JGB Delivery Obligation (Basket), the Rewind Monetary Payment Obligation, the Ending JGB Delivery Obligation (Basket) and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc.) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

2. For an application for assumption of obligations shall be executed at the time as prescribed in each of the following Items and based on the classification referenced in each Items; provided, however, that if JSCC deems it impossible or difficult to submit an application for assumption of obligations due to a failure of the system installed by JSCC or other institutions which is needed to execute assumption of obligations or some other unavoidable reasons, JSCC may change this time. In such case, JSCC shall notify Clearing Participants thereof in advance.

- (1) Individual Issue Transaction: 6:30 P.M. of the day on which assumption of obligations is executed;
- (2) Subsequent Collateral Allocation Repo Transaction, Etc., for which an application

for assumption of obligations is submitted between 2:00 P.M. and 9:00 P.M.: 7:00 A.M. of the immediately following day on which an application for assumption of obligations is submitted;

(3) Subsequent Collateral Allocation Repo Transaction, Etc., for which an application for assumption of obligations is submitted between 7:00 A.M. and 11:00 A.M.:11:00 A.M. of the day on which an application for assumption of obligations is submitted; and

(4) Subsequent Collateral Allocation Repo Transaction, Etc., for which an application for assumption of obligations is submitted between 11:00 A.M. and 2:00 P.M.:2:00P.M. of the day on which an application for assumption of obligations is submitted.

3. JSCC shall notify the relevant Clearing Participant of the necessary matters with regard to the contents and performance of the obligations JSCC assumed pursuant to the provisions of Paragraph 1.

4. In the event that a Clearing Participant submitted an application for assumption of obligations to JSCC through its agent pursuant to the provisions of Article 40, Paragraph 4 (including the case where it is applied *mutatis mutandis* pursuant to Article 41, Paragraph 3), JSCC shall provide notice to be given to the Clearing Participant as stipulated in the preceding Paragraph through such agent.

5. When the Clearing Participant has received the notice set forth in the preceding two (2) paragraphs, it shall immediately affirm its contents.

6. When assumption of obligations for the Transactions Subject to Clearing has been executed pursuant to the provisions of Paragraph 1, the relevant Clearing Participant may not assert nullity, rescission, cancellation or any other defense in relation to the relevant Transactions Subject to Clearing and the assumption of obligations related thereto.

(Article 45 Assumption of Obligations With Specific Settlement Day, Etc. as a Condition)

1. Assumption of Obligations by JSCC as the JGB OTC Transaction Clearing Business upon application for assumption of obligations as stipulated in Article 42, Paragraph 1 shall be executed as prescribed in each of the following Items and based on the classification referenced in each:

(1) Buying and Selling, Etc. of Japanese Government Bonds

In the event that the Buying/Selling Settlement Day arrives on or after the Obligation

Assumption Base Date, assumption of obligations by JSCC shall be executed pursuant to the provisions of Paragraph 1, Item (1) of the preceding Article.

(2) Cash-secured Bond Lending Transaction, Etc.

A) When the Transaction Execution Day for the Cash-secured Bond Lending Transaction, Etc. arrives on or after the Obligation Assumption Base Date Assumption of obligations by JSCC shall be executed pursuant to the provisions of Paragraph 1, Item (2) of the preceding Article.

B) When the Transaction Execution Day for the Cash-secured Bond Lending Transaction, Etc., arrives by the day immediately preceding the Obligation Assumption Base Date and the Transaction Settlement Day arrives on or after the Obligation Assumption Base Date, and an application for assumption of obligations as stipulated in Article 42, Paragraph 1 is submitted by 6:30 P.M. of the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40 which is applied *mutatis mutandis* pursuant to Article 42, Paragraph 6, before such changed period)

JSCC shall, in respect of such Cash-secured Bond Lending Transaction, Etc. and based on the contents of such application, assume the Lending Clearing Participant's obligations (referring to the obligation to pay the amount of Cash to be paid/received on the Transaction Settlement Day) owed to the Borrowing Clearing Participant which is the Lending Clearing Participant's counterparty in such a manner to discharge the relevant Lending Clearing Participant from the relevant obligations, and simultaneously such Lending Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Borrowing Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc. on the Transaction Settlement Day) owed to the Lending Clearing Participant which is the Borrowing Clearing Participant's counterparty in such a manner to discharge the relevant Borrowing Clearing Participant from the relevant obligations, and simultaneously such Borrowing Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(3) Standard Repo Transaction, Etc.

- A) When the Starting Transaction Delivery Day for the Standard Repo Transaction, Etc. and the Substitution Execution Day for the Substitution related to the Standard Repo Transaction, Etc. arrive on or after the Obligation Assumption Base Date

Assumption of obligations by JSCC shall be executed pursuant to the provisions of Paragraph 1, Item (3) of the preceding Article.

- B) When, with regard to the Standard Repo Transaction, Etc., the Starting Transaction Delivery Day arrives by the day immediately preceding the Obligation Assumption Base Date and the Ending Transaction Delivery Day arrives on or after the Obligation Assumption Base Date, and an application for assumption of obligations as stipulated in Article 42, Paragraph 1 is submitted by 6:30 P.M. of the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40 which is applied *mutatis mutandis* pursuant to Article 42, Paragraph 6, before such changed period)

JSCC shall, in respect of such Standard Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to the Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. on the Ending Transaction Delivery Day) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

2. The provisions of Paragraphs 2 to 6 of the preceding Article shall apply *mutatis mutandis* to the assumption of obligations as stipulated in Paragraph 1.

Chapter 5 Settlement of Transactions Subject to Clearing

Section 1 Settlement of Individual Issue Transaction

(Article 46 Netting of Japanese Government Bonds Related to Individual Issue Transaction)

JSCC shall, for each Clearing Participant, with respect to the obligations to deliver Japanese government bonds, owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Items (1) to (3) and Paragraph 1 of the preceding Article, whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the quantity of such obligations by netting the quantity of the obligations of which issue and Settlement Day, Etc. are the same. In such case, the quantity of the obligations offset through the netting calculation shall be automatically deemed to have been delivered, and the remaining quantity shall be replaced with a single obligation to deliver securities (hereinafter referred to as the “Securities Settlement Obligation Related to Individual Issue Transaction”) for the balance between the relevant Clearing Participant and JSCC.

(Article 46-2 Netting of Money Related to Individual Issue Transaction)

JSCC shall, for each Clearing Participant, with respect to the obligations to pay Money (excluding the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc. and limited to those related to Individual Issue Transaction for Japanese government bonds of the same issue) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (1) through Item (3) and Paragraph 1 of the preceding Article, whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which Settlement Days, Etc. are the same. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid and the remaining amount shall be replaced with a single obligation to pay Money (hereinafter referred to as the “Monetary Settlement Obligation Related to Individual Issue Transaction”) for the balance between the relevant Clearing Participant and JSCC.

(Article 46-3 Netting of Amount Equal To Interest Related to Individual Issue Transaction)

JSCC shall, for each Clearing Participant, with respect to the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc. owed by JSCC or a Clearing Participant, pursuant to the provisions of Article 44, Paragraph 1, Items (2) and (3) and Article 45, Paragraph 1, whenever JSCC or a relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which payment days are the same. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid, and the remaining amount shall be replaced with a single obligation to pay Money (hereinafter referred to as the “Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction”) for the balance between the relevant Clearing Participant and JSCC.

(Article 47 Method of Performance of the Monetary Settlement Obligation Related to Individual Issue Transaction)

1. The Monetary Settlement Obligation Related to Individual Issue Transaction between a Clearing Participant and JSCC shall be performed by paying/receiving Money for the market value of the Security Settlement Obligation Related to Individual Issue Transaction as stipulated in the following Paragraph and Money for the delivery adjustment amount related to Individual Issue Transaction as stipulated in Paragraph 3.
2. The market value of the Security Settlement Obligation Related to Individual Issue Transaction shall be the market value of the Security Settlement Obligation Related to Individual Issue Transaction assessed in accordance with the relevant rules of JSCC.
3. The delivery adjustment amount related to Individual Issue Transaction shall be the difference between the amount of the Monetary Settlement Obligation Related to Individual Issue Transaction and the market value of the Security Settlement Obligation Related to Individual Issue Transaction.

(Article 48 Deleted)

(Article 49 Payment/Receipt of Money for Delivery Adjustment Amount Related to Individual Issue Transaction)

Payment/receipt of Money for the delivery adjustment amount related to the Individual

Issue Transaction shall be made between JSCC and a Clearing Participant as stipulated in each of the following Items and based on the classification referenced in each:

- (1) If the amount of the Monetary Settlement Obligation Related to Individual Issue Transaction is more than the market value of the Security Settlement Obligation Related to Individual Issue Transaction:

The Clearing Participant receiving the Japanese government bonds shall pay the Money for the delivery adjustment amount related to Individual Issue Transaction to JSCC, and the Clearing Participant delivering the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Individual Issue Transaction from JSCC.

- (2) If the amount of the Monetary Settlement Obligation Related to Individual Issue Transaction is less than the market value of the Security Settlement Obligation Related to Individual Issue Transaction:

The Clearing Participant delivering the Japanese government bonds shall pay the Money for the delivery adjustment amount related to Individual Issue Transaction to JSCC, and the Clearing Participant receiving the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Individual Issue Transaction from JSCC.

(Article 50 Payment/Receipt of Money for Amount Equal to Interest Settlement Obligation Related to Related to Individual Issue Transaction)

The paying Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction shall pay to JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction and the receiving Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction shall receive from JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction.

Section 2 Settlement of Subsequent Collateral Allocation Repo Transaction, Etc.

(Article 50-2 Basket Netting)

1. JSCC shall, for each Clearing Participant, with respect to JGB Delivery Obligation

(Basket), owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4), whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which Basket and the Settlement Day, Etc. are the same. In such case, the amount of the obligations offset through the netting calculation related to JGB Delivery Obligation (Basket) shall be automatically deemed to have been delivered, and the remaining amount shall be replaced with a single obligation of JGB Delivery Obligation (Basket). In such case, for the replaced JGB Delivery Obligation (Basket), the obligation stipulated in Item (1) shall be referred to as the "Starting/Rewind JGB Delivery Obligation (Basket)" and the obligation stipulated in Item (2) shall be referred to as the "Ending /Unwind JGB Delivery Obligation (Basket)".

(1) The Starting JGB Delivery Obligation (Basket)) and the Rewind JGB Delivery Obligation (Basket)

(2) The Ending JGB Delivery Obligation (Basket) and the Unwind JGB Delivery Obligation (Basket)

2. JSCC shall, for each Clearing Participant, with respect to the obligation to pay Money (excluding the Obligation to Pay the Amount Equal to Interest Rate Amount Related to Repo Transaction, Etc.) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4), whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which Basket and Settlement Day, Etc. are the same for each obligation specified in each of the following Items. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid and the remaining amount shall be replaced with a single obligation to pay Money. In such case, for the replaced obligation to pay Money, the obligation stipulated in Item (1) shall be referred to as the "Starting/Rewind Monetary Payment Obligation (Basket)" and the obligation stipulated in Item (2) shall be referred to as the "Ending /Unwind Monetary Payment Obligation (Basket)".

(1) The Starting Monetary Payment Obligation and the Rewind Monetary Payment Obligation

(2) The Ending Monetary Payment Obligation and the Unwind Monetary Payment Obligation

(Article 50-3 Allocable Balance Notice)

1. Upon Collateral Allocation, the Clearing Participant which delivers Japanese government bonds, as prescribed by JSCC, shall notify JSCC of issue and quantity of Japanese government bonds which can be delivered for Subsequent Collateral Allocation Repo Transaction, Etc., in a manner prescribed by JSCC.
2. When a Clearing Participant, has obtained prior approval from JSCC, in accordance with the relevant rules of JSCC, it may make a notification of issue and quantity of Japanese government bonds as stipulated in preceding Paragraph through its agent.

(Article 50-4 Collateral Allocation)

1. JSCC, shall allocate issue and quantity of Japanese government bonds for the newly replaced Starting/Rewind JGB Delivery Obligation (Basket) pursuant to the provisions of Article 50-2, Paragraph 1 for which Settlement Day, Etc. arrives on the day of Basket Netting and Ending/Unwind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the immediately following day of Basket Netting, according to the notice stipulated in the preceding Article, as prescribed by JSCC.
2. When issue and quantity of Japanese government bonds are allocated pursuant to the provisions in the preceding Paragraph, the portion to which issue and quantity of Japanese government bonds have been allocated (hereinafter referred to as the “Starting/Rewind JGB Delivery Obligation (Individual Issue)”), shall be deducted from Starting/Rewind JGB Delivery Obligation (Basket) stipulated in the preceding Paragraph.
3. When issue and quantity of Japanese government bonds are allocated pursuant to the provisions in Paragraph 1, the portion for which issue and quantity of Japanese government bonds have been allocated (hereinafter referred to as the “Ending/Unwind JGB Delivery Obligation (Basket)”) as stipulated in Paragraph 1 shall be deducted from Ending/Unwind JGB Delivery Obligation (Individual Issue) stipulated in Paragraph 1.
4. The provisions in Paragraphs 3 to 6 of Article 44 shall apply *mutatis mutandis* to Collateral Allocation as stipulated in Paragraph 1.

(Article 50-5 Netting of Japanese Government Bonds Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

JSCC shall, for each Clearing Participant, when Collateral Allocation pursuant to the provisions in immediately preceding Article is executed with respect to Starting/Rewind JGB Delivery Obligation (Individual Issue) and Ending/Unwind JGB Delivery Obligation (Individual Issue) for which Settlement Day, Etc. arrives on the current day, calculate the

balance of the quantity of such obligations by netting the quantity of the obligations of which issue is same. In such case, the quantity of the obligations offset through the netting calculation shall be automatically deemed to have been delivered, and the remaining quantity shall be replaced with a single obligation to deliver securities (hereinafter referred to as the “Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.”) for the balance between the relevant Clearing Participant and JSCC.

(Article 50-6 Netting of Money Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

JSCC shall, for each Clearing Participant, when Collateral Allocation pursuant to the provisions in Article 50-4 is executed, calculate the balance of the amount of the portion as determined by JSCC as corresponding to the relevant Collateral Allocation of the Starting/Rewind Monetary Payment Obligation and the Ending/Unwind Monetary Payment Obligation for which Settlement Day, Etc. arrives on the current day by netting the amount of the obligations. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid and the remained amount shall be replaced with a single obligation to pay Money (hereinafter referred to as the “Monetary Payment Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.”) for the balance between the relevant Clearing Participant and JSCC.

(Article 50-7 Netting of Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

JSCC shall, for each Clearing Participant, when the Collateral Allocation pursuant to the provisions Article 50-4 is executed, calculate the balance of the amount of the Obligations to pay the Amount Equal to Interest Settlement Obligation Related to Repo Transaction, Etc. of which payment day arrives on the immediately following day by netting the amount of such obligations. In such case, the amount of the calculation offset through the netting calculations shall be automatically deemed to have been paid and the remained amount shall be replaced with a single obligation to pay Money between each Clearing Participant and JSCC (hereinafter referred to as the “Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.”) for the balance between the relevant Clearing Participant and JSCC.

(Article 50-8 Method of Performance of Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

1. Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. between a Clearing Participant and JSCC shall be performed by paying/receiving Money for the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. as stipulated in the following Paragraph and Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction as stipulated in Paragraph 3.
2. The market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. assessed in accordance with the relevant rules of JSCC.
3. The delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be the difference between the amount of the Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.

(Article 50-9 Payment/Receipt of Money for Delivery Adjustment Amount Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

Payment/receipt of Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be made between JSCC and a Clearing Participant, as stipulated in each of the following Items and based on the classification referenced in each:

- (1) If the amount of Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. is more than the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction:
The Clearing Participant receiving Japanese government bonds shall pay the Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. to JSCC, and the Clearing Participant delivering the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. from JSCC.
- (2) If the amount of Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. is less than the market value of the Security

Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.:

The Clearing Participant delivering the Japanese government bonds shall pay the Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. to JSCC, and the Clearing Participant receiving the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. from JSCC.

(Article 50-10 Payment/Receipt of Money for Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

The paying Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall pay to JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the receiving Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall receive from JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.

Section 3 DVP Settlement for Japanese Government Bonds

(Article 50-11 Method and Cutoff Time of DVP Settlement for Japanese Government Bonds)

1. Delivery/receipt of quantity of Japanese government bonds in relation to the Security Settlement Obligation Related to Individual Issue Transaction and payment/receipt of the market value of Security Settlement Obligation Related to Individual Issue Transaction and delivery/receipt of quantity of Japanese government bonds in relation to the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and payment/receipt of the market value of Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be made between JSCC and a Clearing Participant by DVP Settlement in the Bank of Japan Financial Network System, in a manner as stipulated in the following items, by each type of transaction in each item.

(1) Individual Issue Transaction.

A) The Clearing Participant delivering Japanese government bonds shall deliver the Japanese government bonds and receive Money by 1:30 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive the Japanese government bonds by 2:00 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

(2) Subsequent Collateral Allocation Repo Transaction, Etc. (limited to those related to obligation newly replaced pursuant to the provisions of Article 50-5 and Article 50-6, at the time specified in Article 44, Paragraph 2, Item (2))

A) The Clearing Participant delivering Japanese government bonds shall deliver the Japanese government bonds and receive Money by 10:30 A.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive the Japanese government bonds by 11:00 A.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

(3) Subsequent Collateral Allocation Repo Transaction, Etc. (limited to those related to obligation newly replaced pursuant to the provisions of Article 50-5 and Article 50-6, at the time specified in Article 44, Paragraph 2, Item (3))

A) The Clearing Participant delivering Japanese government bonds shall deliver the Japanese government bonds and receive Money, by 1:30 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive Japanese government bonds by 2:00 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

(4) Subsequent Collateral Allocation Repo Transaction, Etc. (limited to those related to obligation newly replaced pursuant to the provisions of Article 50-5 and Article 50-6, at the time specified in Article 44, Paragraph 2, Item (4))

A) The Clearing Participant delivering Japanese government bonds shall deliver Japanese government bonds and receive Money, by 3:30 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive Japanese government bonds by 4:00 P.M. on the Settlement Day, Etc. in a manner as prescribed by JSCC.

2. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may deliver/receive Japanese government bonds and pay/receive Money as stipulated in the preceding Paragraph through its agent in accordance with the relevant rules of JSCC.
3. In executing the settlement pursuant to the provisions in the two preceding (2) Paragraphs The Clearing Participant shall make efforts to ensure a smooth settlement,.

(Article 50-12 JGB Futures Pair-off Netting)

1. Notwithstanding the provisions in the preceding Article, as for settlement related to combination of JGB Futures Pair-off Netting concluded pursuant to the provisions of the following Paragraph, delivery/receipt and payment/receipt of Japanese government bonds and Money set forth in Article 50-11, Paragraph1, Item (1) shall be deemed to have been completed at scheduled starting time of the relevant settlement. However, if a difference arises between delivery settlement amount related to JGB Futures Physical Delivery Settlement (referring to the Settlement by Delivery and Payment stipulated in Article 73-11 of Securities and Similar Contracts Business Rules; same applies hereinafter in this article) and market value of Security Settlement Obligation related to Individual Issue Transaction, the difference amount will be paid/received between JSCC and a Clearing Participant.
2. JSCC shall have a combination of JGB Futures Pair-off Netting concluded for JGB Futures Delivery Settlement and an Individual Issue Settlement (referring to delivery/receipt of Japanese government bonds of quantity relates to Security Settlement Obligation related to Individual Issue Transaction and payment/receipt of Money of market value of Security Settlement Obligation related to Individual Issue Transaction in a manner prescribed by JSCC). However, if JSCC deems it is not adequate to conclude JGB Futures Pair-off Netting due to the unavoidable reason, including an occurrence of failure in calculation for conclusion of JGB Futures Pair-off Netting, this shall not apply.
3. Even if a combination of JGB Futures Pair-off Netting is concluded pursuant to the provisions of the preceding Paragraph, if JSCC has determined a Default, Etc. has occurred, Etc. or the Determination of Insolvency as stipulated in Article 76, Paragraph 5 of the Securities and Similar Contracts Business Rules with respect to the Pair-off Netting Applying Participant before the settlement is deemed to have completed pursuant to the provision of Paragraph 1, JSCC may revoke the concluded combination of JGB Futures Pair-off Netting.

4. A Clearing Participant (limited to JGB Futures Clearing Participant (referring to a JGB Futures Clearing Participant set forth in Article 5, Paragraph 3, of the Securities and Similar Contracts Business Rules) shall, when it desires to utilize JGB Future Pair-off Netting, apply for utilization of JGB Future Pair-off Netting in advance in a manner prescribed by JSCC.

Section 4 Fail

(Article 51 Treatment of Fail)

1. If, in relation to the settlement as stipulated in preceding Article, the Clearing Participant delivering the Japanese government bonds causes a Fail, such settlement shall be deferred to the following day or later.
2. In the event that the settlement between the Clearing Participant delivering the Japanese government bonds and JSCC has been deferred pursuant to the provisions of preceding Paragraph, the part of the settlement between JSCC and the Clearing Participant receiving the Japanese government bonds specified by JSCC shall be executed on the Settlement Day related to a Fail.
3. The provisions in the each of the relevant Item shall apply *mutatis mutandis* to the delivery/receipt of Japanese government bonds and the payment/receipt of Money for the Settlement Related to Fail, depending on the type of transaction specified in each of the following Items.
 - (1) Individual Issue Transaction: The provisions as stipulated in the preceding Article (excluding the provisions stipulated in Paragraph 1, Items (2) to (4)).
 - (2) Subsequent Collateral Allocation Repo Transaction, Etc.: The provisions as stipulated in the preceding Article (excluding the provisions stipulated in Paragraph 1, Items (1), (3) and (4)).
4. Notwithstanding the provisions of the preceding Paragraph, with regard to the Settlement Related to Fail, if JSCC especially deems it necessary to ensure smooth settlement, the settlement may be executed by a method prescribed by JSCC at each time.

(Article 52 Payment/Receipt of Fails Charges)

1. The delivering Clearing Participant for the Settlement Related to Fail shall pay to JSCC Fails Charges in the amount prescribed by JSCC, and JSCC shall pay to the receiving

Clearing Participant Fails Charges in the amount prescribed by JSCC for the Settlement Related to Fail.

2. In addition to the matters as stipulated in the preceding Paragraph, necessary matters concerning Fails Charges shall be prescribed by JSCC.

(Article 53 Handling of the Case Where Interest Payment Day Arrives for Japanese government bonds Related to Fail)

In the event that the Settlement Related to Fail has still not been executed on the day immediately preceding the interest payment day for the Japanese government bonds related to such settlement (if such day falls on a bank non-business day, it shall be the immediately preceding bank business day), the delivering Clearing Participant for such Settlement Related to Fail shall pay the Money in the amount equal to interest to be received to JSCC on such interest payment day, and the receiving Clearing Participant for such Settlement Related to Fail shall receive the Money in the amount equal to the interest to be received from JSCC on such interest payment day.

(Article 54 Handling of the Case Where Redemption Day Arrives for Japanese government bonds Related to Fail)

1. In the event that the Settlement Related to Fail has still not been executed on the day immediately preceding the redemption day for the Japanese government bonds related to such settlement (if such Japanese government bonds are the Japanese government bonds specified by JSCC, the interest payment day; the same applies hereinafter in this Article) (if such day falls on a bank non-business day, it shall be the immediately preceding bank business day), the delivering Clearing Participant such Settlement Related to Fail shall pay the Money in the amount equal to the redemption amount (if such Japanese government bonds are Japanese government bonds as specified by JSCC, the amount equal to interest; the same shall apply, hereinafter) to be received to JSCC on such redemption day, and the receiving Clearing Participant for such Settlement Related to such Fail shall receive the Money in the amount equal to the redemption amount from JSCC on such redemption day.
2. In the case of the preceding Paragraph, the receiving Clearing Participant for such Settlement Related to Fail shall pay the Money in the amount equal to the payment to be made at the Settlement Related to Fail to JSCC on the redemption day, and the delivering Clearing Participant for such Settlement Related to Fail shall receive such

Money from JSCC on the redemption day.

3. Notwithstanding the provisions of Article 51, Paragraph 3, if the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail shall be deemed to have been executed by the payment/receipt of such Money.

Chapter 6 Buy-In, Etc.

Section 1 Buy-In

(Article 55 Buy-In)

1. JSCC may conduct Buy-In.

The settlement of buying and selling resulting from Buy-In shall be executed on the day specified by JSCC on each applicable occasion, which shall arrive during a four (4) day period (excluding holidays; the same applies hereinafter in the calculation of number of days) starting from the day on which such Buy-In is executed.

(Article 56 Settlement between Clearing Participant Which Executes Selling in Buy-In and JSCC)

1. For the settlement of buying and selling resulting from Buy-In, the amount of Money paid by JSCC to the Clearing Participant which executes selling in such Buy-In and the quantity of Japanese government bonds delivered to JSCC by such Clearing Participant shall be the price for buying and selling (including accrued interest corresponding to the number of days to the Settlement Day, Etc.) (referring to the prorated amount of interest obtained by multiplying the face value by the interest rate of the relevant Japanese government bonds for a period ending the day of the settlement) (any fractional amount less than one (1) yen shall be rounded down; the same applies hereinafter) and the quantity of Japanese government bonds in respect of each buying and selling resulting from such Buy-In.
2. The provisions of Article 50-11 (excluding provisions stipulated in Paragraph 1, Item (2) to (4)) shall apply *mutatis mutandis* to the delivery/receipt of Japanese government bonds and payment/receipt of Money between the Clearing Participant which executes selling in Buy-In and JSCC.
3. In executing the settlement of buying and selling resulting from Buy-In, the Clearing Participant which executes selling in Buy-In shall not cause a Fail at the cutoff time as

stipulated in Article 50-11, Paragraph 1, Item (1) A) which is applied *mutatis mutandis* pursuant to the preceding Paragraph.

4. In the event that the settlement of buying and selling resulting from Buy-In is executed pursuant to the provisions of Paragraphs 1 and 2, JSCC shall deliver the Japanese government bonds related to the Settlement Related to Fail to the receiving Clearing Participant for the Settlement Related to Fail for which such Buy-In is executed and receive the Money related to the Settlement Related to Fail from such receiving Clearing Participant pursuant to the provisions of Article 50-11 (excluding provisions stipulated in Paragraph 1, Item (2) through Item (4)), Paragraph 1, Item (2) which is applied *mutatis mutandis* pursuant to the provisions of Article 51, Paragraph 3.

(Article 57 Settlement between Delivering Clearing Participant for the Settlement Related to Fail for Which Buy-In is Executed and JSCC)

1. In the event that Buy-In is executed pursuant to the provisions of Article 55, the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In is executed shall pay/receive to/from JSCC the difference between the price for buying and selling resulting from such Buy-In and the market value of the Security Settlement Obligation Related to the Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In is executed and the amount equal to the expense incurred by JSCC for procuring funds necessary for such Buy-In.
2. The provisions of Article 69 (excluding the provisions in Paragraph 1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the settlement of buying and selling resulting from such Buy-In and the Settlement Related to Fail between the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In is executed and JSCC shall be deemed to have been executed.

Section 2 Buy-In by Participants

(Article 58 Buy-In by Participants)

1. A receiving Clearing Participant for the Settlement Related to Fail may conduct Buy-In

by Participants.

2. The settlement of buying and selling resulting from Buy-In by Participants shall be executed on the day agreed upon between the Clearing Participant executing Buy-In by Participants and the party executing selling to such Clearing Participant, which shall arrive during a four (4) day period starting from the day on which such Buy-In by Participants is executed .

(Article 59 Settlement between Clearing Participant Which Executed Buy-In by Participants and JSCC)

1. In the event that Buy-In by Participants is executed pursuant to the provisions of the preceding Article, the Clearing Participant which executes such Buy-In by Participants shall pay/receive to/from JSCC the difference between the price for buying and selling resulting from such Buy-In by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In by Participants is executed and the amount equal to the expense incurred by such Clearing Participant for procuring funds necessary for such Buy-In by Participants.
2. The provisions of Article 69 (excluding the provisions in Paragraph 1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the settlement of buying and selling resulting from such Buy-In by Participants and the Settlement Related to Fail for which such Buy-In by Participants is executed between the Clearing Participant which executes Buy-in by Participants and JSCC shall be deemed to have been executed.

(Article 60 Settlement between Delivering Clearing Participant for the Settlement Related to Fail for Which Buy-In by Participants is Executed and JSCC)

1. In the event that Buy-In by Participants is executed pursuant to the provisions of Article 58, the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In by Participants is executed shall pay/receive to/from JSCC on the day of settlement of such Buy-In by Participants the difference between the price for buying

and selling resulting from such Buy-In by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In Participants is executed and the amount equal to the expense incurred by the Clearing Participant which executed such Buy-In by Participants for procuring funds necessary for such Buy-In by Participants.

2. The provisions of Article 69 (excluding the provisions in Paragraph1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail between the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In by Participant is executed and JSCC shall be deemed to have been executed.

Section 3 Buy-In Notice under the Uniform Practice Code

(Article 61 Buy-In Notice under Uniform Practice Code)

A receiving Clearing Participant for the Settlement Related to Fail may, upon receipt from a member of the Japan Securities Dealers Association or its customer of a notice concerning Buy-In under the Uniform Practice Code or a secondary notice upon receipt of such notice arising from such Fail, notify JSCC of the fact that it has received a notice concerning such Buy-In under the Uniform Practice Code or a secondary notice upon receipt of such notice (hereinafter referred to as "Buy-In Notice under the Uniform Practice Code").

(Article 62 Settlement between Clearing Participant Which Gives Buy-In Notice under the Uniform Practice Code and JSCC)

1. When a Buy-In Notice under the Uniform Practice Code as stipulated in the preceding Article is given and Buy-In under the Uniform Practice Code is executed, the Clearing Participant which gives such Buy-In Notice under the Uniform Practice Code shall pay/receive to/from JSCC on the Settlement Day of such Buy-In under the Uniform Practice Code the difference between the price of buying and selling resulting from

such Buy-In under the Uniform Practice Code and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In Notice under the Uniform Practice Code is given and the amount equal to the expense related to the Buy-in under the Uniform Practice Code (referring to the amount equal to the expense incurred by the party which executes such Buy-In under the Uniform Practice Code pursuant to the Uniform Practice Code for procuring funds necessary for such Buy-In under the Uniform Practice Code).

2. The provisions of Article 69 (excluding the provisions in Paragraph1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given between the Clearing Participant which gives the Buy-In Notice under the Uniform Practice Code and JSCC shall be deemed to have been executed.

(Article 63 Settlement between Delivering Clearing Participant for the Settlement Related to Fail for Which Buy-In Notice under Uniform Practice Code is Given and JSCC)

1. When a Buy-In Notice under the Uniform Practice Code as stipulated in the Article 61 is given and Buy-In under the Uniform Practice Code is executed, the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given shall pay/receive to/from JSCC on the Settlement Day of such Buy-In under Uniform Practice Code the difference between the price of buying and selling resulting from such Buy-In under the Uniform Practice Code and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In Notice under the Uniform Practice Code is given and the amount equal to the expense related to the Buy-in under the Uniform Practice Code.
2. The provisions of Article 69 (excluding the provisions in Paragraph1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.

3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given between the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given and JSCC shall be deemed to have been executed.

Section 4 Miscellaneous Clauses

(Article 64 Delegation to Rules)

In addition to the matters as stipulated in this Chapter, necessary matters concerning Buy-In, Buy-In by Participants and Buy-In Notice under the Uniform Practice Code shall be prescribed by JSCC in the Subordinate Rules.

Chapter 7 Variation Margin

(Article 65 Variation Margin Deposit)

1. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Transactions Subject to Clearing (excluding the amount of Money received in relation to the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc.; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is less than the sum of the present value (to be determined by JSCC) of the amount of Money paid (excluding the amount of Money paid in relation to the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc.; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Transactions Subject to Clearing, the relevant Clearing Participant shall deposit such deficit with JSCC as Variation Margin on the day immediately following the

day on which such deficit occurred.

2. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Transactions Subject to Clearing and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is more than the sum of the present value (to be determined by JSCC) of the amount of Money paid and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Transactions Subject to Clearing, the relevant Clearing Participant shall receive a deposit from JSCC of such surplus as Variation Margin on the day immediately following the day on which such surplus occurred.

(Article 66 Variation Margin Deposit Related to Fail)

1. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Settlement Related to Fail (excluding the amount of Money received pursuant to the provisions of Article 49; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is less than the sum of the present value (to be determined by JSCC) of the amount of Money paid (excluding the amount of Money paid pursuant to the provisions of Article 53; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Settlement Related to Fail, the relevant Clearing Participant shall deposit such deficit with JSCC as Variation Margin related to Fail on the day immediately following the day on which such deficit occurred.
2. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Settlement Related to Fail and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is more than the sum of the present value (to be determined by JSCC) of the amount of Money paid and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Settlement Related to Fail, the relevant Clearing Participant shall receive a deposit from JSCC of such surplus as Variation Margin on the day immediately following the day on which such surplus occurred.

(Article 67 Return of Variation Margin)

1. The Clearing Participant shall return to JSCC Variation Margin received from JSCC pursuant to the provisions of the preceding two (2) Articles on the day immediately following the day on which the deposit is received. In such case, Variation Margin shall bear interest at a rate prescribed by JSCC.
2. The Clearing Participant shall receive from JSCC a return of Variation Margin deposited with JSCC pursuant to the provisions of the preceding two (2) Articles on the day immediately following the day on which the deposit is made. In such case, Variation Margin shall bear interest at a rate prescribed by JSCC.

Chapter 8 FOS Settlement

(Article 68 FOS Settlement)

Payment/receipt of Money specified in each of the following Items shall be executed by paying/receiving the difference between the total amount to be paid and the total amount to be received by the same Clearing Participant (hereinafter referred to as "FOS Settlement").

- (1) Payment/receipt of Money pursuant to the provisions of Article 49, Article 50, Article 50-10, the proviso to Article 50-12 Paragraph 1, Articles 52 to 54, Articles 65 to 67 and Article 70-8, Paragraph 4.
- (2) Payment/receipt of Money pursuant to the provisions of Article 50-9.

(Article 69 Method and Cutoff Time of FOS Settlement)

1. FOS Settlement shall be executed between a Clearing Participant and JSCC by book-entry transfer between the current account of the Clearing Participant and the current account of JSCC used for BOJ Current Accounts transactions in a manner as stipulated in each of the following Items, for each type of Money specified therein:
 - (1) Money specified in Item (1) of the immediately preceding Article:
 - A) The paying Clearing Participant shall pay the Money in a manner as prescribed by JSCC by 10:00 A.M. of the Settlement Day, Etc.; and
 - B) The receiving Clearing Participant shall receive the Money in a manner as prescribed by JSCC promptly after 10:30 A.M. of the Settlement Day, Etc.
 - (2) Money specified in Item (2) of the immediately preceding Article:

- A) The paying Clearing Participant shall pay the Money in a manner as prescribed by JSCC by 3:30 P.M. of the Settlement Day, Etc.; and
 - B) The receiving Clearing Participant shall receive the Money in a manner as prescribed by JSCC promptly after 4:00 P.M. of the Settlement Day, Etc.
2. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may pay/receive the Money as stipulated in the preceding Paragraph through its agent in accordance with the relevant rules of JSCC.

Chapter 9 Initial Margin and JGB OTC Transaction Clearing Fund

Section 1 Initial Margin

(Article 70 Obligation to Deposit Initial Margin)

1. The Clearing Participant shall, for the purpose of ensuring the performance of all obligations owed to JSCC in relation to JGB OTC Transaction Clearing Business, deposit, the amount of Initial Margin with JSCC, as prescribed by JSCC.
2. When the amount of Initial Margin deposited with JSCC falls short of the Required Initial Margin Amount, the Clearing Participant shall deposit with JSCC an additional amount of Money not less than such deficit in accordance with the relevant rules of JSCC.

(Article 70-2 Required Amount of Initial Margin)

Matters related to Required Initial Margin Amount shall be prescribed by JSCC in the Subordinate Rules.

(Article 70-3 Return of Initial Margin)

1. A Clearing Participant may request JSCC to refund the amount of Initial Margin deposited with JSCC with the limits of not more than the amount exceeding the Required Initial Margin Amount.
2. When the request as stipulated in the preceding Paragraph is made, JSCC may suspend to refund all or part of the Initial Margin of the relevant Clearing Participant if JSCC especially deems it necessary to do so.

(Article 70-4 Revision of Required Initial Margin Amount by Calling Intra-day Initial Margin)

1. In the event that the market for JGB Futures Transactions (referring to the transactions as stipulated in Article 2, Paragraph 21, Item (1) of the Act which is related to Japanese government bonds and is conducted at Osaka Exchange, Inc.) fluctuates beyond the standard prescribed by JSCC or if JSCC otherwise deems it necessary, JSCC shall increase the Required Initial Margin Amount by calling Intra-day Initial Margin, in a manner prescribed by JSCC.
2. When JSCC increases Required Initial Margin Amount pursuant to the provisions in the immediately preceding Paragraph, it shall notify the relevant Clearing Participant thereof promptly after the time prescribed by JSCC.

Section 2 JGB OTC Transaction Clearing Fund

(Article 70-5 Obligation to Deposit JGB OTC Transaction Clearing Fund)

1. The Clearing Participant shall, for the purpose of ensuring the performance of all of its obligations owed to JSCC in relation to JGB OTC Transaction Clearing Business and for the purpose of applying such fund to recover the loss incurred by JSCC pursuant to the Business Rules when JSCC determines Default, Etc. of other Clearing Participants, deposit JGB OTC Transaction Clearing Fund with JSCC, in a manner as prescribed by JSCC.
2. When the deposited balance of the JGB OTC Transaction Clearing Fund (when the whole or part of the JGB OTC Transaction Clearing Fund has been applied to the recovery of losses to JSCC in accordance with these Business Rules, Etc. in the case where JSCC has determined a Default, Etc. of any other Clearing Participant to have occurred, the balance after such application; the same applies hereinafter) falls short of the Required JGB OTC Transaction Clearing Fund Amount, the Clearing Participant shall deposit with JSCC Money in the amount at least equal to such shortfall in accordance with the relevant rules of JSCC.

(Article 70-6 Required Amount of JGB OTC Transaction Clearing Fund)

Matters related to Required JGB OTC Transaction Clearing Fund Amount shall be prescribed by JSCC in the Subordinate Rules.

(Article 70-7 Return of JGB OTC Transaction Clearing Fund)

The Clearing Participant may request JSCC to refund the amount of the JGB OTC

Transaction Clearing Fund with the limits of not more than the amount exceeding the Required JGB OTC Transaction Clearing Fund Amount.

Section 3 Substituting Japanese Government Bonds

(Article 70-8 Substituting Japanese Government Bonds)

1. Initial Margin (limited to the amount exceeding the amount prescribed by JSCC) and JGB OTC Transaction Clearing Fund may be deposited in a form of Japanese government bonds (limited to those prescribed by JSCC) in lieu of Money in accordance with the relevant rules of JSCC.
2. The substituting value of such Japanese government bonds as stipulated in the preceding Paragraph shall be the market value of such Japanese government bonds prescribed by JSCC multiplied by the rate prescribed by JSCC; provided, however, that in cases such as an excessive fluctuation in the market, JSCC may extraordinarily change the substituting value when JSCC deems it particularly necessary to do so.
3. JSCC may liquidate the Substituting Japanese Government Bonds deposited as Initial Margin and JGB OTC Transaction Clearing Fund.
4. When the interest payment day (excluding the interest payment day related to the Japanese government bonds specified by JSCC) for the Substituting Japanese Government Bonds deposited as Initial Margin or JGB OTC Transaction Clearing Fund arrives, JSCC shall pay the amount equal to the interest related to such Substituting Japanese Government Bonds to the Clearing Participant which deposited such Substituting Japanese Government Bonds on such interest payment day, and when the redemption day (or interest payment day for Japanese government bonds specified by JSCC; the same applies in this Paragraph) for such Substituting Japanese Government Bonds arrives, JSCC shall pay, on the redemption day, the amount equal to the interest related to such Substituting Japanese Government Bonds (excluding Japanese government bonds specified by JSCC) to the Clearing Participant which deposited such Substituting Japanese Government Bonds, and deem the amount equal to the redemption amount (for Japanese government bonds specified by JSCC, the amount equal to interest) for such Substituting Japanese Government Bonds as Money deposited on the redemption day with JSCC by the Clearing Participant which deposited such Substituting Japanese Government Bonds as Initial Margin or JGB OTC Transaction Clearing Fund.

5. In addition to the provisions of the preceding four (4) Paragraphs, matters concerning the Substituting Japanese Government Bonds for Initial Margin and JGB OTC Transaction Clearing Fund shall be prescribed by JSCC.

Section 4 Delivery/Receipt of Initial Margin and JGB OTC Transaction Clearing Fund through Agent

(Article 70-9 Delivery/Receipt of Initial Margin and JGB OTC Transaction Clearing Fund
through Agent)

When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may pay/receive the Money or deliver/receive the Japanese government bonds as stipulated in Articles 70, Articles 70-3 through 70-5, Articles 70-7 and Articles 70 through its agent in accordance with the relevant rules of JSCC.

Section 5 Use of Initial Margin

(Article 71 Use of Initial Margin)

1. JSCC may engage in the acts as stipulated in each of the following Items with the Money and Substituting Japanese Government Bonds deposited as Initial Margin:
 - (1) Performing the Obligation to Pay Related to Participants Settlement owed by JSCC to Clearing Participants and other obligations owed by JSCC to Clearing Participants under these Business Rules; and
 - (2) Providing security to procure funds pursuant to the provisions of Article 74 or repaying the procured funds.
2. In the event that JSCC engages in the acts as stipulated in the preceding Paragraph, when the amount of Money currently held by JSCC as Initial Margin becomes less than the amount of Money currently deposited with JSCC as Initial Margin, or when the quantity of Substituting Japanese Government Bonds currently held by JSCC as Initial Margin becomes less than the quantity of Substituting Japanese Government Bonds currently deposited with JSCC as Initial Margin, JSCC shall recover the amount of Money or the quantity of Substituting Japanese Government Bonds held by JSCC as Initial Margin to the amount or quantity equal to or more than the amount of Money or the quantity of Substituting Japanese Government Bonds

deposited with JSCC as Initial Margin with the Money obtained from the disposition or pledge of the Japanese government bonds pursuant to the provisions of Article 77-3, Money for the purpose of recovery of losses pursuant to the provisions of Chapter 10, Section 5 or other Money procured by other means.

Chapter 9-2 Clearing Deposit

(Article 72 Clearing Deposit)

Initial Margin, JGB OTC Transaction Clearing Fund, Third Tier Special Clearing Charge Collateral and Default Contingent Margin which are deposited by Clearing Participants in order to ensure the performance of their obligations owed to JSCC shall be the Clearing Deposit prescribed in Article 156-11 of the Act.

(Article 73 Management of Clearing Deposit)

JSCC shall hold the Clearing Deposit as stipulated in the preceding Article by segregating it from the other assets and manage it on a book separately for each Clearing Participant.

Chapter 10 Measures in case of Settlement Default by Clearing Participants

Section 1 Procuring Funds at the time of Settlement Default

(Article 74 Procuring Funds at the time of Settlement Default)

1. When a Clearing Participant fails or is deemed by JSCC to be likely to fail to perform all or part of the Obligation to Pay Related to Participants Settlement, the Security Settlement Obligation Related to Individual Issue Transactions and the Securities Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc., or otherwise JSCC deems necessary based on the status of performance of obligations, JSCC shall perform its obligations to Clearing Participants pursuant to the provisions of Article 50-11 (including the cases where it is applied *mutatis mutandis* pursuant to Article 51, Paragraph 3 and Article 56, Paragraph 2; the same applies in the following Article) or Article 69 (including the cases where it is applied *mutatis mutandis* pursuant to Article 57, Paragraph 2, Article 59, Paragraph 2, Article 60, Paragraph 2, Article 62, Paragraph 2 and Article 63, Paragraph 2; the same applies in the following

Article) with the Money acquired by the methods as stipulated in each of the following Items or other methods for procuring funds which JSCC deems appropriate:

- (1) Borrowing funds from a Clearing Participant or any other person; and
- (2) Standard Repo Transactions to which a Clearing Participant or any other person is a counterparty.

2. When JSCC deems that procuring all or part of the Money needed is difficult even if it uses the methods as stipulated in each Item of the preceding Paragraph, it may procure Money in the amount JSCC deems necessary from Clearing Participants other than the Clearing Participant which is the party to the obligation causing the procurement of funds through Standard Repo Transactions. In such case, JSCC shall allocate the amount to be procured by JSCC to each Clearing Participant other than the Clearing Participant which is the party to the obligation causing the procurement of funds in accordance with the relevant rules of JSCC, and each Clearing Participant subject to such allocation must become a counterparty to Standard Repo Transaction with JSCC with respect to the amount so allocated.
3. When JSCC deems that procuring all or part of the Money needed is difficult even if it uses the methods as stipulated in Paragraphs 1 and 2 of this Article, it may procure the Money in the amount JSCC deems necessary from Initial Margin deposited in Money pursuant to the provisions of Article 15.

(Article 75 JSCC's Performance of Obligations , Etc. When Funds are Procured)

1. In the case of Paragraph 1 of the preceding Article, JSCC shall perform its obligations as stipulated in Article 50-11 or Article 69 by the cutoff time on the relevant day specified by JSCC on each applicable occasion.
2. When JSCC deems that it is difficult to procure all or part of the Money needed to perform its obligations to the relevant Clearing Participants by the cutoff time as stipulated in the preceding Paragraph even if funds are procured as stipulated in the preceding Article, notwithstanding the provisions of the preceding Paragraph, JSCC may specify a different day and time at which JSCC shall perform its obligations. In such case, when JSCC deems it necessary, it may suspend receiving Japanese government bonds from the delivering Clearing Participant of the Japanese government bonds until JSCC performs such obligations.
3. In the case of the preceding two (2) Paragraphs, JSCC shall promptly notify Clearing Participants to that effect.

(Article 76 Repayment, Etc. of Procured Funds)

1. When JSCC procures funds pursuant to the provisions of Article 74, Paragraph 1 or 2, the Clearing Participant which is the party to the obligations causing such procurement of funds shall pay to JSCC the amount equal to the expense incurred by JSCC for procuring funds depending upon the condition of performance of such obligations.
2. When JSCC procures funds pursuant to the provisions of Article 74, Paragraph 1 or 2, JSCC shall, according to the case stipulated in following items, carry out the acts stipulated in each item below:
 - (1) When the Clearing Participant which is the party to the obligation causing such procurement of funds has performed its obligations:

Repayment of funds procured pursuant to the provisions of Article 74, Paragraphs 1 and 2 by all or part of the Money obtained from the performance of such obligations;
 - (2) When Article 79 or 80 applies to the Clearing Participant which is the party to the obligations causing such procurement of funds:

Repayment of funds procured pursuant to the provisions of Article 74, Paragraphs 1 and 2 by all or part of the Money obtained from proceeds of the disposition of Japanese government bonds pursuant to the provisions of Article 77-3 or Money for the purpose of recovery of losses pursuant to the provisions of Section 5.
3. When JSCC procures funds pursuant to the provisions of Article 74, Paragraph 3, JSCC shall, according to the case stipulated in following items, carry out the acts stipulated in each item below:
 - (1) When the Clearing Participant which is the party to the obligations causing such procurement of funds has performed its obligation:

Recovery of Initial Margin held by JSCC to the amount deposited with JSCC as Initial Margin by all or a part of the Money obtained from the performance of such obligations;
 - (2) When the Clearing Participant which is the party to the obligations causing such procurement of funds becomes subject to Article 79 or 80:

Acts stipulated in Article 71, Paragraph 2.

Section 2 Measures in Case of Settlement Default

(Article 77 Measures in case of Settlement Default)

1. When a Clearing Participant fails to perform or is deemed by JSCC to be likely to fail to perform the Obligation to Pay Related to Participants Settlement or other obligations against JSCC under these Business Rules, JSCC may implement the measures, to the extent and for the period that JSCC deems necessary, to suspend the assumption of obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party and to suspend such Clearing Participant from receiving all or part of the Japanese government bonds and Money to be received from JSCC.
2. JSCC may apply the Money the receipt of which is suspended pursuant to the preceding Paragraph to fulfil the obligations of such Clearing Participant owed to JSCC.

(Article 77-2 Notification of Suspension of Assumption of Obligation and Other Measures)

When JSCC takes measures pursuant to the provisions of Paragraph 1 of the preceding Article, JSCC shall immediately notify all Clearing Participants to that effect (in the case where JSCC determines a Default, Etc. of a Clearing Participant to have occurred, to that effect and the Default Determination Date.

(Article 77-3 Disposition of Assurance Assets)

1. When JSCC determines a Default, Etc. of a Clearing Participant to have occurred, in addition to the Auction for Default Settlement, JSCC may sell, or otherwise dispose of or pledge by the method JSCC deems appropriate, the same type and the same quantity of Japanese government bonds as the Japanese government bonds related to the Remaining Quantity of Substituting Initial Margin Deposit of such Clearing Participant, the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit of such Clearing Participant, the Remaining Quantity of Substituting Default Contingent Margin Deposit, the Security Settlement Obligation Related to Individual Issue Transaction to such Clearing Participant, the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. to such Clearing Participant the obligation to deliver Japanese government bonds related to Buy-In of such Clearing Participant or the obligation to delivery Japanese government bonds of such Clearing Participant related to Subject Transactions for Auction set forth in Article 80-3, Paragraph 3.
2. JSCC shall carry out the acts as stipulated in each of the following Items with the Money obtained from the disposition or pledge pursuant to the provisions of the preceding Paragraph:

- (1) Performance of Obligation to Pay Related to Participants Settlement or other obligations JSCC owes to the Clearing Participant;
- (2) Recovery of the balance of Initial Margin as stipulated in Article 71, Paragraph 2; and
- (3) Repayment of funds procured pursuant to the provisions of Article 74, Paragraphs 1 and 2.

Section 3 Performance of Obligations by Netting Calculations, Etc.

(Article 78 Acceleration of Due Dates)

1. When a Clearing Participant falls under any of the following Items, all obligations of such Clearing Participant owed to JSCC under these Business Rules shall automatically become due without any notice or demand, Etc. from JSCC, and such Clearing Participant shall immediately satisfy such obligations:
 - (1) When a petition is filed for the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, commencement of liquidation or commencement of special liquidation;
 - (2) When a resolution for dissolution is passed or otherwise dissolution becomes effected (excluding dissolution through a merger or a decision to commence bankruptcy proceedings);
 - (3) When a clearing house or an Electronic Monetary Claim Recording Institution defined in Article 2, Paragraph 2 of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007) suspends transactions involving the Clearing Participant;
 - (4) In addition to the cases as stipulated in the preceding three (3) Items, when an application for court proceedings related to settlement of obligations is filed by the Clearing Participant, or when any event which the Clearing Participant is deemed to be unable to pay its debts, have expressed its intention to discontinue its business or have generally suspended payments to its creditors occurs;
 - (5) When an order for provisional attachment, preservative attachment or attachment against the obligations of the Clearing Participant to JSCC under these Business Rules is issued, or a notice of transfer or pledge of such obligations is issued;
 - (6) When any event equal to or similar to the events as stipulated in the preceding Items under laws and regulations of foreign countries occurs; or
 - (7) When the Clearing Participant fails to perform all or part of the Obligation to Pay

Related to Participants Settlement.

2. When a Clearing Participant falls under any of the following Items, upon notice from JSCC to such Clearing Participant, all obligations of such Clearing Participant to JSCC under these Business Rules shall automatically become due, and such Clearing Participant shall immediately perform such obligations:
 - (1) When the Clearing Participant denies in writing the existence of any of its obligations owed to JSCC under these Business Rule, or admits that it has no ability or intention to perform such obligations; or
 - (2) When the Clearing Participant violates these Business Rules and JSCC deems that such violation falls under the reasonable cause to preserve JSCC's claims.
3. In the case of the preceding Paragraph, when the notice from JSCC is delivered late or is not delivered due to the Clearing Participant's failure to give notice of change of its address or refuse to receive the notice, or any other cause for which the Clearing Participant should be responsible, acceleration of the due dates shall be deemed to occur as of the time such notice should normally have arrived.

(Article 79 Closeout Netting of Defaulting Clearing Participant's Position)

1. When the Cause of Closeout Netting occurs with respect to a Clearing Participant, then the amount obtained by netting the Appraised Default Values at the time when the Cause of Closeout Netting occurs of all of the outstanding Monetary Payment/Return Obligations and JGB Delivery/Return Obligations between the Clearing Participant and JSCC shall be a single obligation of JSCC to the Clearing Participant by JSCC or a single obligation of the Clearing Participant to JSCC.
2. The Appraised Default Value as stipulated in the preceding Paragraph shall be the amounts as stipulated in each of the following Items:
 - (1) As to the Monetary Payment/Return Obligations, the amount of the respective obligations; and
 - (2) As to the JGB Delivery/Return Obligations, the amount as stipulated in A) to C) below for each obligation as stipulated in each such section:
 - A) The JGB Delivery/Return Obligations owed by JSCC (excluding the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket))The sum of the amounts as stipulated in (a) and (b) below:
 - (a) When JSCC sells the same type and the same quantity of Japanese

government bonds as the Japanese government bonds to be transferred or returned in relation to such JGB Delivery/Return Obligations before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the amount of the remaining total sale price after subtracting the expense required for such sale; and

(b) When JSCC does not sell the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred or returned in relation to such JGB Delivery/Return Obligations before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the total market value prescribed by JSCC.

B) The JGB Delivery/Return Obligations owed by the Clearing Participant (excluding Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket))

The sum of the amounts as stipulated in (a) and (b) below:

(a) When JSCC purchases the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred in relation to such JGB Delivery/Return Obligations of the Clearing Participant before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the total purchase price added by the expense required for such purchase; and

(b) When JSCC does not purchase the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred in relation to such Japanese government bonds Delivery/Return Obligation of the Clearing Participant before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the total market value prescribed by JSCC.

C) The Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket)

The amount prescribed by JSCC, pursuant to the result of Auction for the Default Settlement.

3. JSCC shall promptly calculate the amount of the single obligation under the provisions of Paragraph 1 after determining the Appraised Default Value, and notify the relevant Clearing Participant thereof. In such case, JSCC shall specify the date and time at which such single obligation is to be performed.

4. The Monetary Payment/Return Obligations and the JGB Delivery/Return Obligations between the relevant Clearing Participant and JSCC shall be deemed to have been performed and ceased to exist when they become a single obligation pursuant to the provisions of Paragraph 1. In such case, JSCC and the Clearing Participant may also perform the JGB Delivery/Return Obligations by paying the Appraised Default Value at the time of occurrence of the Cause of Closeout Netting of the outstanding JGB Delivery/Return Obligations (referring to the amount calculated pursuant to the provisions of Paragraph 2, Item (2)), and JSCC or the Clearing Participant shall be deemed to have elected such performance.
5. In the case as stipulated in Paragraph 2, Item (2), A), (b), when JSCC sells the same type and the same quantity of Japanese government bonds as those to be delivered or returned in relation to such obligation to deliver or return Japanese government bonds on or after the third (3rd) day as stipulated in said (b), if the amount of the remaining total sale price after subtracting the expense required for such sale falls short of the total market value as stipulated in said (b), the Clearing Participant as stipulated in Paragraph 1 shall pay such shortfall.
6. In the case as stipulated in Paragraph 2, Item (2), B), (b), when JSCC purchases the same type and the same quantity of Japanese government bonds as those to be delivered in relation to such obligation to deliver or return Japanese government bonds of the Clearing Participant on or after the third (3rd) day as stipulated in said (b), if the sum of total purchase price and the expense required for such purchase exceeds the total market value as stipulated in said (b), the Clearing Participant as stipulated in Paragraph 1 shall pay such difference.
7. Notwithstanding the provisions of Paragraphs 2, 5 and 6, in the cases listed below, the appraised value related to the JGB Delivery/Return Obligation shall be determined in the manner stipulated by JSCC in the Subordinate Rules:
 - (1) When an agreement as stipulated in Article 80-4 is reached; or
 - (2) When a Close-out Netting of Unsettled Positions as stipulated in Article 80-5 is conducted.

(Article 80 Netting Calculation)

1. When the Clearing Participant's Obligation to Pay Related to Participants Settlement and other obligations to JSCC under these Business Rules become due, JSCC may offset such obligations with JSCC's obligations to such Clearing Participant under these

Business Rules regardless of the due date of such obligations.

2. When the preceding Paragraph applies, the obligations shall be satisfied in accordance with the sequence set forth in the following Items; provided, however, that the foregoing shall not apply if JSCC deems it necessary for the preservation of JSCC's rights.
 - (1) The Clearing Participant's obligations owed to JSCC under these Business Rules shall be satisfied with the sequence described below:
 - A) The Clearing Participant's Obligation to Pay Related to Participants Settlement; and
 - B) The Clearing Participant's obligations owed to JSCC under these Business Rules other than those as stipulated in the preceding A).
 - (2) JSCC's obligations owed to such Clearing Participant under these Business Rules shall be satisfied with the sequence described below:
 - A) JSCC's Monetary Payment/Return Obligations;
 - B) The obligation to return the Remaining Quantity of Substituting Initial Margin Deposit;
 - C) The obligation to return the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit;
 - D) The obligation to return the Remaining Quantity of Substituting Default Contingent Margin Deposit;
 - E) The Security Settlement Obligation Related to Individual Issue Transaction, Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc., Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket)
 - F) The obligation to deliver Japanese government bonds owed by JSCC in relation to Standard Repo Transaction to which Clearing Participants are parties as stipulated in Article 74, Paragraph 2, Item (2) and Paragraph 2; and
 - G) The obligation to deliver Japanese government bonds related to Subject Transactions for Auction owed by JSCC pursuant to the provisions of Article 80-7, Paragraph 2.
3. In relation to setoff as stipulated in Paragraph 1, JSCC may also perform JGB Delivery/Return Obligations by paying the total appraised value of such obligation to return and such obligation to deliver (referring to the total amount of the remaining total sale price (for the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket), the amount prescribed by JSCC

pursuant to the result of the Auction for Default Settlement) when JSCC sells the same type and the same quantity of Japanese government bonds as those to be returned or delivered after subtracting the expense required for such sale), and JSCC shall execute setoff by electing such performance method.

4. In relation to setoff as stipulated in Paragraph 1, JSCC may also cause the Clearing Participant to perform the Clearing Participant's JGB Delivery/Return Obligations by causing such Clearing Participant to pay the total appraised value of such obligation to deliver (referring to the sum of total purchase price (for the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket), the amount prescribed by JSCC in accordance with the result of the Auction for Default Settlement) when JSCC purchases the same type and the same quantity of Japanese government bonds as such Japanese government bonds delivered and the amount of expense required for such purchase), and JSCC shall execute setoff by electing such performance method.
5. In the application of preceding two (2) Paragraphs, the appraised value related to the Securities Settlement Obligation and the obligation to deliver Japanese government bonds related to Subject Transactions for Auction owed by JSCC pursuant to the provisions of Article 80-7, Paragraph 2 shall be determined in the manner prescribed by JSCC in the Subordinate Rules in either of the following cases:
 - (1) When an agreement as stipulated in Article 80-4 is reached; or
 - (2) When a Close-Out Netting of Unsettled Positions as stipulated in Article 80-5 is conducted.
6. The calculation of charge for delayed payment and other amounts to be paid in the netting calculation for setoff as stipulated in Paragraph 1 shall be made for a period ending on the day on which the calculation is made by JSCC.
7. The expression of intention to execute setoff pursuant to the provisions of Paragraph 1 shall be made by a written notice.
8. JSCC may designate the order and method of application of claims or obligations in executing setoff as stipulated in Paragraph 1 in the notice as stipulated in the preceding Paragraph, and the relevant Clearing Participant may not raise its objections against such designation.
9. If there is any excess collateral (referring to the margin, clearing fund or other collateral (limited only to those of which such Clearing Participant has the claim for refund) which such Clearing Participant has deposited with JSCC in connection with any Other

Clearing Business, that remains after the application to the payment of the obligations of such Clearing Participant in accordance with the provisions of the business rules of such Other Clearing Business) that the Clearing Participant has deposited with JSCC in connection with any Other Clearing Business, JSCC's obligations to return related to such excess collateral against such Clearing Participant may be offset against such Clearing Participant's obligation set forth in Paragraph 1 regardless of the due date of such obligations. The provisions of Paragraphs 2 to 8 shall apply *mutatis mutandis* to such case.

10. JSCC may offset at any time the single remaining obligation owed to or claim against the Clearing Participant pursuant to the provisions of the preceding Article against any payment claim against or obligation owed to the Clearing Participant (including JSCC's obligation to return related to excess collateral against such Clearing Participant as set forth in the immediately preceding Paragraph and payment claim or obligation not based on these Business Rules) regardless of their due dates. The provisions of Paragraphs 2 to 8 shall apply *mutatis mutandis* to such case.
11. The matters necessary for setoff prescribed in the preceding Paragraphs shall be prescribed by JSCC on each applicable occasion.

Section 4 Disposition of Defaulting Clearing Participant's Unsettled Contract

(Article 80-2 JGB OTC Transaction Default Management Committee)

1. JSCC shall establish the JGB OTC Transaction Default Management Committee for the purpose of obtaining advice concerning the execution of Auctions for Default Settlement upon determination of the Default, Etc. of a Clearing Participant and other matters prescribed by JSCC in the Subordinate Rules (referred to as "Matters for Consultation" in the following Paragraph).
2. JSCC shall consult with the JGB OTC Transaction Default Management Committee about Matters for Consultation, and shall respect the advice of the Default Management Committee thereon.
3. JSCC shall appoint these Clearing Participants designated in the manner prescribed by JSCC in the Subordinate Rules as committee members of the JGB OTC Transaction Default Management Committee. In such case, JSCC shall impose duty of confidentiality upon such committee member.
4. In addition to the matters prescribed in the preceding three (3) Paragraphs, the powers

and authorities, composition, the term of office of each committee member and method of operation of the JGB OTC Transaction Default Management Committee and other necessary matters shall be prescribed by JSCC in the Subordinate Rules.

(Article 80-3 Auction for Default Settlement)

1. When JSCC determines the Default, Etc. of a Clearing Participant to have occurred, JSCC may hold an Auction for Default Settlement for the purpose of disposing of Positions subject to Default Settlement for which party is the relevant Defaulting Clearing Participant. 2. Auction for Default Settlement shall be classified in accordance with Auction for Default Settlement specified in each of the following Items and Position subject to Auction and the parties to participate in the Auction for Default Settlement specified in each item shall be prescribed in the relevant each Item.

(1) Basket Auction for Default Settlement

Positions subject to Default Settlement shall be the Starting/Rewind JGB Delivery Obligation (Basket) (excluding those prescribed by JSCC in the Subordinate Rules) and the Ending/Unwind JGB Delivery Obligation (Basket)) (excluding those prescribed by JSCC in the Subordinate Rules) and the parties to participate in the Auction for Default Settlement shall be all Non-Defaulting Clearing Participants.

(2) First Step Auction for Default Settlement

Positions subject to Default Settlement shall be Security Settlement Obligation Related to Individual Issue Transaction and Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the parties to participate in the Auction for Default Settlement shall be Clearing Participants prescribed by JSCC in the Subordinate Rules.

(3) Second Step Auction for Default Settlement

Positions subject to Default Settlement shall be the Security Settlement Obligation Related to Individual Issue Transaction and the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the parties to participate in the Auction for Default Settlement shall be all Non-Defaulting Clearing Participants.

3. Before holding an Auction for Default Settlement, JSCC shall determine and advise Clearing Participants of the details of Subject Transactions for Auction (referring to Subsequent Collateral Allocation Repo Transaction, Buying and Selling of Japanese government bonds and Standard Repo Transaction to be executed through Auction for

Default Settlement; the same applies hereinafter) and other terms and conditions of the Auction for Default Settlement in the manner prescribed by JSCC in the Subordinate Rules.

4. In addition to the provisions of the preceding three (3) Paragraphs, procedures for, method of operation of and other necessary matters related to Auctions for Default Settlement shall be prescribed by JSCC in the Subordinate Rules.

(Article 80-4 Mutual Discussion in case of Possible Deficiency in Loss Recovery)

1. In the case where an Auction for Default Settlement has been held and there is a possibility that the losses arising out of the Default, Etc. of the Defaulting Clearing Participant (meaning the losses incurred by JSCC on the claims which JSCC has against the Defaulting Clearing Participant pursuant to the provisions of Articles 79 and 80) as a result of the execution of the Subject Transactions for Auction may not be recovered in the manner prescribed from Articles 83 to 83-7, JSCC and the Clearing Participants shall discuss settlement of such losses in the manner prescribed by JSCC in the Subordinate Rules.
2. When, as a result of the mutual discussion pursuant to the provisions of the preceding Paragraph, an agreement is reached among JSCC and all Non-Defaulting Clearing Participants concerning settlement of the losses in the said Paragraph in the manner prescribed by JSCC in the Subordinate Rules, JSCC shall settle such losses in accordance with such agreement, provided that the settlement shall enable it to recover such losses in full and shall secure uninterrupted operation of the JGB OTC Transaction Clearing Business by JSCC.

(Article 80-5 Closeout Netting of Unsettled Positions due to Failure of Mutual Discussion)

1. In the case where the mutual discussion is held pursuant to Paragraph 1 of the preceding Article but they fail to reach the agreement referred to in Paragraph 2 of the said Article within the period prescribed by JSCC in the Subordinate Rules, the amount obtained by netting the appraised values at that time calculated in the manner stipulated by JSCC in the Subordinate Rules of all of the Unsettled Monetary Positions and Unsettled Securities Positions existing between a Non-Defaulting Clearing Participant and JSCC as of the date on which such period expires, shall become a single obligation of JSCC owed to such Clearing Participant or a single obligation of such Clearing Participant owed to JSCC (hereinafter referred to as "Close-out Netting of Unsettled

Positions”).

2. Upon the Close-out Netting of Unsettled Positions pursuant to the provisions of the preceding Paragraph, the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction and the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. which has not become due at such time shall cease to exist at such time.
3. In the event of the Close-out Netting of Unsettled Positions pursuant to Paragraph 1, if any of the obligation to pay the price for buying and selling resulting from Buy-In as stipulated in Article 56, Paragraph 1, or the obligation to deliver Japanese government bonds related to Buy-In owed by the Clearing Participant pursuant to the provisions of Article 55 shall be subject to such Close-out Netting, the payment obligation related to the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the payment obligation related to the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the Security Settlement Obligation Related to Individual Issue Transaction or the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. in relation to the Fail for which such Buy-in is executed shall be excluded from the subject of such Close-out Netting regardless of the provisions of Paragraph 1, and shall cease to exist upon such Close-out Netting.
4. Necessary matters related to Close-out Netting of Unsettled Positions pursuant to the preceding three (3) Paragraphs shall be prescribed by JSCC in the Subordinate Rules.

(Article 80-6 Notification, etc. in relation to Mutual Discussion)

When the agreement set forth in Article 80-4, Paragraph 2 is reached, or Close-out Netting of all Unsettled Positions is conducted pursuant to the provisions of Paragraph 1 of the preceding Article, JSCC shall immediately notify all Clearing Participants thereof.

(Article 80-7 Execution, etc. of Subject Transactions for Auction)

1. When a Clearing Participant makes a successful bid on Subject Transactions for Auction in an Auction for Default Settlement, such Subject Transactions for Auction shall be executed between JSCC and such Clearing Participant in accordance with the manner prescribed by JSCC in the Subordinate Rules.
2. When a Subject Transactions for Auction is executed in relation to First Step Auction for

Default Settlement and Second Step Auction for Default Settlement, JSCC and the Clearing Participant referred to in the preceding Paragraph shall, pay/deliver and/or receive the Japanese government bonds and Money for the settlement of such Subject Transactions for Auction.

3. With respect to the Basket Auction for Default Settlement, Subject Transactions for Auction pursuant to the provisions in Paragraph 1 is executed, in applying the provisions stipulated in Article 50-2, the term “with respect to the JGB Delivery Obligation (Basket) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4))” shall be replaced with “with respect to the JGB Delivery Obligation (Basket) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4) and the JGB Delivery Obligation (Basket) owed by JSCC or a Clearing Participant the execution of Subject Transactions for Auction pursuant to the provisions in Article 80-7, Paragraph 1”, “whenever JSCC or the relevant Clearing Participant assumes obligations” shall be replaced with “At the time prescribed in Article 44, Paragraph 2, Item (2) on the day immediately following the day on which the relevant Subject Transactions for Auction is executed”, “with respect to the obligation to pay Money (excluding the Obligation To Pay the Amount Equal to Interest Amount Related to Repo Transactions, Etc.) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4)” in Paragraph 2 of the said Article shall be replaced with “with respect to the obligation to pay Money (excluding the Obligation To Pay The Amount Equal to Interest Amount Related to Repo Transaction, Etc.) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4), and the obligation to pay Money (excluding the Obligation to Pay the Amount Equal to Interest Amount Related to Repo Transaction, Etc.) owed by JSCC or a Clearing Participant by the execution of Subject Transactions for Auction pursuant to the provisions in Article 80-7, Paragraph 1” and “whenever JSCC or the relevant Clearing Participant assumes obligations” shall be replaced with “At the time prescribed in Article 44, Paragraph 2, Item (2) on the day immediately following the day on which the relevant Subject Transactions for Auction is executed”.
4. In addition to the provisions of the preceding three (3) Paragraphs, the provisions of these Business Rules, Etc. shall apply to the Subject Transactions for Auction that are executed pursuant to the provisions of Paragraph 1 as if they were Transactions subject to Clearing.
5. In addition to the provisions of each of the preceding Paragraphs, procedures to be

taken when a Subject Transaction for Auction is executed shall be prescribed by JSCC in the Subordinate Rules.

(Article 81 Deleted)

Section 5 Sharing of Loss by Other Clearing Participants

(Article 82 Classification of Loss Sharing Method)

1. Recovery of Loss Resulting from Default by Non-Defaulting Clearing Participants shall be conducted in a manner as specified in each of the following Items:

- (1) Original Transactions Proration

The method where each Clearing Participant subject to Proration on Original Transactions shall contribute the amount determined by prorating Aggregate Loss subject to Original Transaction Proration, according to the proportion of the value of transactions to which a Trust Account held by such Clearing Participant subject to Original Transaction Proration is a party to the value of Transactions subject to Clearing (limited to those for which settlement related to the relevant Transactions subject to Clearing remained unsettled) of the Defaulting Clearing Participant causing the Loss Resulting from Default Settlement;

- (2) Clearing Fund Requirement Proration

The method where each Clearing Participant subject to Proration on Clearing Fund Requirement shall contribute the amount determined by prorating Aggregate Loss subject to Clearing Fund Requirement Proration, according to the Required JGB OTC Transaction Clearing Fund Amount for the relevant Clearing Participant subject to Proration on Clearing Fund Requirement (excluding the Required JGB OTC Transaction Clearing Fund Amount for Trust Account(s), if it has Trust Account(s)).

2. The amount of Loss Resulting from Default Settlement set forth in the preceding Paragraph shall be calculated on the day prescribed by JSCC in the Subordinate Rules (hereinafter referred to as the "Initial Loss-Determination Date") and upon such calculation, if there is any claim or obligation or collateral of which the amount is yet to be determined, JSCC shall carry out the calculation by reference to the amount tentatively set by JSCC as an estimated amount of such claim or obligation or collateral.

(Article 83 Recovery of Losses with First Tier JGB OTC Transaction Settlement Guarantee Reserve)

1. JSCC shall recover the Loss Resulting from Default Settlement by an application of First Tier JGB OTC Transaction Settlement Guarantee Reserve.
2. The amount of First Tier JGB OTC Transaction Settlement Guarantee Reserve applied as set forth in the preceding Paragraph shall be allocated to Original Transaction Proration and Clearing Fund Requirement Proration according to the proportion of the Aggregate Loss subject to Original Transaction Proration and the Aggregate Loss subject to Clearing Fund Requirement Proration.

(Article 83-2 Recovery of Losses with JGB OTC Transaction Clearing Fund and Second Tier JGB OTC Transaction Settlement Guarantee Reserve)

1. If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, JSCC shall recover such loss by an application of JGB OTC Transaction Clearing Fund deposited with JSCC by each Non-Defaulting Clearing Participant and the Second Tier JGB OTC Transaction Settlement Guarantee Reserve. In this case, the amount to be applied from JGB OTC Transaction Clearing Fund deposited with JSCC by Non-Defaulting Clearing Participant and the Second Tier JGB OTC Transaction Settlement Guarantee Reserve shall be determined in the following manner:
 - (1) The amount of Second Tier JGB OTC Transaction Settlement Guarantee Reserve to be applied pursuant to this Article (hereinafter referred to as "Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application") shall be determined by (a) multiplying the amount of Second Tier JGB OTC Transaction Settlement Guarantee Reserve by the ratio of the total amount of JGB OTC Transaction Clearing Fund deposited with JSCC by Clearing Participant to be applied to the loss recovery pursuant to this Article and Article 83-5 to the sum of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration and Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration, and then (b) prorating such amount according to the proportion of Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application and the amount to be applied in accordance with the provisions of Article 83-5 (hereinafter referred to as "Second Tier JGB OTC Transaction Settlement Guarantee Reserve Secondary Application"). In this case, Second Tier JGB OTC Transaction

- Settlement Guarantee Reserve Initial Application shall be allocated to Original Transaction Proration and Clearing Fund Requirement Proration.
- (2) Second Tier Total Amount Borne by Clearing Participants subject to Original Transaction Proration shall be obtained by deducting the amount applied from First Tier JGB OTC Transaction Settlement Guarantee Reserve and allocated to the Original Transaction Proration pursuant to the provisions of the immediately preceding Article and the portion of Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application allocated to Original Transaction Proration as set forth in the preceding Item from the Aggregate Loss subject to Original Transaction Proration.
- (3) The amount to be applied from JGB OTC Transaction Clearing Fund deposited with JSCC by an individual Clearing Participant subject to Original Transaction Proration shall be determined by multiplying the Second Tier Total Amount Borne by Clearing Participants subject to Original Transaction Proration by a contribution ratio applicable to each Clearing Participant subject to Original Transaction Proration calculated by JSCC according to the method prescribed in the Subordinate Rules; provided, however, that such amount shall not exceed the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration; provided, further, that if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied to cover loss of JSCC resulting from other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of this Article and Article 83-5, the said cap shall be the amount remaining after deducting the amount so applied from Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant.
- (4) Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration shall be obtained by deducting the amount applied from First Tier JGB OTC Transaction Settlement Guarantee Reserve allocated in accordance with the Clearing Fund Proration pursuant to the provisions of the immediately preceding Article and Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application allocated to Clearing Fund Requirement Proration as set forth in the Item (1) from the Aggregate Loss subject to Clearing Fund Requirement Proration.
- (5) The amount to be applied from the JGB OTC Transaction Clearing Fund deposited

with JSCC by an individual Clearing Participant subject to Clearing Fund Requirement Proration in the Clearing Fund Requirement Proration shall be the amounts set forth in a. through c. below in accordance with the order of the JGB OTC Transaction Clearing Funds set forth in a. through c. below:

- a. JGB OTC Transaction Clearing Fund deposited with JSCC by Clearing Participant(s) subject to Clearing Fund Requirement Proration which had applied, but failed to participate in the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant or other First Step Auction for Default Settlement conducted during the Default Settlement Period in which the Default Determination Date related to the relevant Defaulting Clearing Participant belongs (only those conducted before the Auction for Default Settlement related to the relevant Defaulting Clearing Participant) (excluding the Clearing Participant who made successful bid in any of the above First Step Auction for Default Settlement, and participated in all First Step Auction for Default Settlement conducted thereafter) (referred to as "Subject Clearing Participant" in this a.):

Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration prorated according to Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to each Subject Clearing Participant (or, if Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration is equal to or more than the sum total of Second Tier Bearing Limit of Clearing Participants, subject to Clearing Fund Requirement Proration the amount equal to the Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to the relevant Subject Clearing Participant (of, if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied to cover loss of JSCC resulting from other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of this Article, the amount remaining after deducting the amount so applied).

- b. JGB OTC Transaction Clearing Fund deposited with JSCC (after deduction of the amount prescribed by JSCC in the Subordinate Rules) by the relevant Clearing Participant subject to Clearing Fund Requirement Proration (excluding those fall under a. above):

Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration remaining after deducting the total amount applied pursuant to a. above, prorated according to Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to each Clearing Participant (after deduction of the amount prescribed by JSCC in the Subordinate Rules) (or, if such remaining amount is equal to or more than Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration, the amount equal to Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to the relevant Clearing Participant subject to Clearing Fund Requirement Proration).

- c. JGB OTC Transaction Clearing Fund deposited with JSCC (the portion equivalent to the amount prescribed by JSCC in the Subordinate Rules) by the Clearing Participant subject to Clearing Fund Requirement Proration which made successful bid in the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant (excluding the Clearing Participant which falls under a. above, or was subject to the provisions of a. above, or would have been subject to the provisions of a. above had the JGB OTC Transaction Clearing Fund been applied to loss recovery, with respect to the Default, Etc. determined during the Default Settlement Period in which the Default Determination Date related to the relevant Defaulting Clearing Participant belongs, for which the First Step Auction for Default Settlement has been conducted before the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant and for which the First Auction was conducted most recently):

Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration remaining after deducting total amount applied according to a. and b. above, prorated according to the amount prescribed by JSCC in the Subordinate Rules.

2. Each Non-Defaulting Clearing Participant shall be obliged to pay to JSCC the amount to be applied from the JGB OTC Transaction Clearing Fund deposited by it with JSCC pursuant to the preceding Paragraph, and the application of the JGB OTC Transaction Clearing Fund pursuant to the preceding Paragraph shall be automatically made on the Initial Loss-Determination Date without separate indication of intention of JSCC and

each Non-Defaulting Clearing Participant by offsetting the claim held by JSCC corresponding to such obligations and the right to claim a return of JGB OTC Transaction Clearing Fund held by each Clearing Participant who owes such obligations in the amount equivalent to such obligations.

(Article 83-3 Special Provisions for JGB OTC Transaction Clearing Fund in Default Settlement Period)

1. Notwithstanding the provisions of the Subordinate Rules of JSCC pursuant to Article 70-6, the Required JGB OTC Transaction Clearing Fund Amount of each Clearing Participant during the Default Settlement Period shall be the Required JGB OTC Transaction Clearing Fund Amount of each such Clearing Participant on the day immediately preceding the date on which such Default Settlement Period commences.
2. In the case where the JGB OTC Transaction Clearing Fund is applied in whole or in part during the Default Settlement Period pursuant to Paragraph 1 of the preceding Article, notwithstanding the provisions of Article 70-5, a Clearing Participant shall not be obliged to make additional deposit of JGB OTC Transaction Clearing Fund in the amount equivalent to such application until the Default Settlement Period ends.
3. Notwithstanding the provisions of Paragraph 1 above, the Required JGB OTC Transaction Clearing Fund Amount of each Clearing Participant on the last day of the Default Settlement Period shall be the Required JGB OTC Transaction Clearing Fund Amount of each such Clearing Participant calculated on the last day of such Default Settlement Period, which shall apply through the day immediately preceding the day on which the Required JGB OTC Transaction Clearing Fund Amount is newly calculated pursuant to the Subordinate Rules of JSCC in accordance with Article 70-5. In this case, if the amount of JGB OTC Transaction Clearing Fund and Default Contingent Margin deposited by each Clearing Participant with JSCC on the last day of the Default Settlement Period falls short of the Required JGB OTC Transaction Clearing Fund Amount on the last day of the Default Settlement Period calculated pursuant to the provisions of Paragraph 1 above, each such Clearing Participant shall deposit with JSCC an amount at least equal to such shortfall in a manner prescribed by JSCC.

(Article 83-4 Recovery of Losses with Third Tier Special Clearing Charge)

If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in Article 83-2, all Non-Defaulting Clearing Participants existing on the Default

Determination Date (hereinafter referred to as “Participants Bearing Third Tier Special Clearing Charge” in this Article) shall assume the obligation to pay the Third Tier Special Clearing Charge to JSCC in the amount prescribed by JSCC in the Subordinate Rules in a manner prescribed by JSCC in the Subordinate Rules. In this case, JSCC shall apply such Third Tier Special Clearing Charges paid by those Participants Bearing Third Tier Special Clearing Charge to recover the outstanding Loss Resulting from Default Settlement.

(Article 83-5 Recovery of Losses with Unapplied Amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration and Second Tier JGB OTC Transaction Settlement Guarantee Reserve)

1. If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, JSCC shall recover such remaining losses with JGB OTC Transaction Clearing Fund deposited with JSCC by Clearing Participants subject to Original Transaction Proration (capped at the unapplied portion of the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant (meaning the portion of the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant which has not been applied pursuant to the provisions of Article 83-2; the same applies in this Article)) and the application of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve.
2. The amount to be applied from the JGB OTC Transaction Clearing Fund deposited with JSCC by a Clearing Participant subject to Original Transaction Proration shall be, according to the below-listed order of the JGB OTC Transaction Clearing Fund, the amount as described below:
 - (1) JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant subject to Original Transaction Proration:

The amount remaining after deducting Second Tier JGB OTC Transaction Settlement Guarantee Reserve Secondary Application from the remaining loss as set forth in the preceding Paragraph allocated to each Clearing Participant according to the unapplied amount (after deducting the amount prescribed by JSCC in the Subordinate Rules) of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to each Clearing Participant in the manner prescribed by JSCC in the Subordinate Rules (to be capped at an

unapplied amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant (after deducting the amount prescribed by JSCC in the Subordinate Rules));

- (2) JGB OTC Transaction Clearing Fund deposited with JSCC by the Clearing Participant subject to Original Transaction Proration whose bid on Subject Transactions for Auction was successful in the Second Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant;

The amount remaining after deducting Second Tier JGB OTC Transaction Settlement Guarantee Reserve Secondary Application and the aggregate amount applied pursuant to Item (1) above from the remaining loss as set forth in the preceding Paragraph prorated according to the amount prescribed by JSCC in the Subordinate Rules (to be capped at the amount prescribed by JSCC for the relevant Clearing Participant in the Subordinate Rules; provided, that if such amount is equal to or more than the amount remaining after deducting the amount applied from JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant to recover JSCC's loss arising as a result of other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of Articles 83-2 and this Article from the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration, to be capped at the amount remaining after such deduction).

(Article 83-6 Recovery of Losses with Unapplied Amount of Third Tier Special Clearing Charge of Clearing Participants subject to Original Transaction Proration)

If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, the Clearing Participants whose Third Tier Special Clearing Charge determined by JSCC pursuant to the provisions of Article 83-4 is less than unapplied amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant (referring to the portion of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant not applied from JGB OTC Transaction Clearing Fund pursuant to the provisions of Articles 83-2 and 83-5, and not applied from Third Tier Special Clearing Charge pursuant to the provisions of the preceding Article) shall bear an obligation to pay JSCC the Third Tier Special Clearing Charge (Additional Portion) prescribed by JSCC in the Subordinate

Rules in a manner prescribed by JSCC in the Subordinate Rules. In this case, JSCC shall recover such loss with the Third Tier Special Clearing Charge (Additional Portion) paid by the Clearing Participant subject to Original Transaction Proration.

(Article 83-7 Recovery of Losses with Fourth Tier Special Clearing Charge)

1. If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, each Non-Defaulting Clearing Participant existing on the Default Determination Date shall pay the Fourth Tier Special Clearing Charge to JSCC in the manner prescribed by JSCC in the Subordinate Rules, if the total amount of the Variation Margin, Etc. (meaning the amount prescribed by JSCC in the Subordinate Rules; the same applies in this Article) in respect of all Transactions subject to Clearing that have existed from the Default Determination Date through the Initial Loss-Determination Date (including the Transactions subject to Clearing the obligation of which is assumed after the Default Determination Date and the Transactions subject to Clearing the settlement of which have been completed before the Initial Loss-Determination Date; the same applies hereinafter) to be received by such Clearing Participant exceeds the total amount of the Variation Margin, Etc. in respect of the said all Transactions subject to Clearing to be paid by such Clearing Participant (such Clearing Participant shall be referred to as "Participant Bearing Fourth Tier Special Clearing Charge" in the Article) . In this case, JSCC shall apply such Fourth Tier Special Clearing Charges paid by the Participants Bearing Fourth Tier Special Clearing Charge to recover the outstanding Loss Resulting from Default Settlement.
2. The amount of "Fourth Tier Special Clearing Charge" set forth in the preceding Paragraph shall be the amount prescribed by JSCC in the Subordinate Rules, provided that such amount shall not exceed the amount of losses incurred in relation to the Positions subject to Default Settlement being prorated to each such Participant Bearing Fourth Tier Special Clearing Charge according to the amount of its gain. For the purpose hereof, "losses incurred in relation to the Positions subject to Default Settlement" shall be the positive (and shall only be a positive and not negative) value obtained by deducting the aggregate amount of Variation Margin, Etc. due from the Clearing Participant to JSCC from the aggregate amount of Variation Margin, Etc. due from JSCC to the Clearing Participant in respect of unsettled positions corresponding to the Positions subject to Default Settlement, such value being obtained as of each day which falls between the Default Determination Date (or, where the settlement of Positions

subject to Default Settlement between JSCC and the Defaulting Clearing Participant have been fully completed on the Default Determination Date, the day immediately following the Default Determination Date; the same applies in this Paragraph) and the Initial Loss-Determination Date, and provided further, “its gain” shall be the positive (and shall only be a positive and not negative) value obtained by deducting the aggregate amount of Variation Margin, Etc. due to such Participant Bearing Fourth Tier Special Clearing Charge from the aggregate amount of Variation Margin, Etc. payable by it in respect of all Transactions subject to Clearing to which such Participant Bearing Fourth Tier Special Clearing Charge is a party, such value being obtained for the period from the Default Determination Date to the Initial Loss-Determination Date.

(Article 83-8 Deposit of Special Clearing Charge Collateral)

1. Each Clearing Participant shall post the following Special Clearing Charge Collateral with JSCC in the manner prescribed by JSCC in the Subordinate Rules, for the purpose of securing the obligations as set forth below (hereinafter referred to as “Secured Obligations” in Paragraph 2 of this Article) according to below-listed classification of Special Clearing Charge Collateral:
 - (1) Third Tier Special Clearing Charge Collateral: To be applied to secure the obligation to pay the Third Tier Special Clearing Charge; and
 - (2) Fourth Tier Special Clearing Charge Collateral: To be applied to secure the obligation to pay the Fourth Tier Special Clearing Charge.
2. JSCC may apply Special Clearing Charge Collateral to satisfy the Secured Obligations in the manner prescribed by these Business Rules, Etc.

(Article 83-9 Deposit of Default Contingent Margin)

1. Non-Defaulting Clearing Participant shall deposit Default Contingent Margin with JSCC for the purpose of securing the obligations borne by such Non-Defaulting Clearing Participant against JSCC in connection with Transactions subject to Clearing.
2. Required amount of Default Contingent Margin of a Non-Defaulting Clearing Participant shall be prescribed by JSCC in the Subordinate Rules.
3. In the case where there exists Default Contingent Margin actually deposited with JSCC by a Non-Defaulting Clearing Participant at the end of a Default Settlement Period, the entire amount of such Default Contingent Margin shall be deemed to be returned to such Clearing Participant at such time and the JGB OTC Transaction Clearing Fund in

the amount equivalent to such Default Contingent Margin shall be deemed to be deposited with JSCC by such Clearing Participant.

4. The provisions of Articles 70-5, Paragraph 2 and 70-8 (excluding the phrase “(limited to the amount exceeding the amount prescribed by JSCC)” in Article 70-8, Paragraph 1) shall be applied *mutatis mutandis* to Default Contingent Margin.

(Article 83-10 Failure to Post Special Clearing Charge Collateral)

If a Clearing Participant fails to post the Special Clearing Charge Collateral pursuant to the provisions of Article 83-8, Paragraph 1, the provisions in this Chapter shall apply as if occurrence of Default, Etc. of such Clearing Participant had been determined.

(Article 83-11 Adjustment upon Determination of Final Loss)

1. In respect of the Defaulting Clearing Participant's Monetary Payment/Return Obligations and JGB Delivery/Return Obligations to JSCC, in the case where the amount of JSCC's claim to a Defaulting Clearing Participant has been determined pursuant to the provisions of Article 79 or 80 and such amount of claim is in excess of the amount of Loss Resulting from Default Settlement, JSCC shall recover the loss of JSCC corresponding to the amount of the excess in the order of Article 83, Article 83-2, and from Articles 83-4 through 83-7, and in the manner set forth in each of such Articles, on the day on which the amount of such claim is determined.
2. Matters necessary to prescribe in connection with the recovery of the loss pursuant to the provisions of the preceding Paragraph shall be prescribed by JSCC in the Subordinate Rules.

(Article 84 Distribution of Amount Collected from Defaulting Clearing Participants)

1. In the case where default settlement procedures are taken in respect of a Defaulting Clearing Participant, JSCC shall distribute the following amounts to the Clearing Participants (limited only to those prescribed in the Subordinate Rules of JSCC) in each of the following cases in a manner prescribed in the Subordinate Rules:
 - (1) In the case where JSCC receives payment or dividend in respect of its claim to the Defaulting Clearing Participant pursuant to the provisions of Article 79 or 80:
The amount of such payment and dividend
 - (2) In the case where the amount of JSCC's claim to the Defaulting Clearing Participant set forth in Item (1) above is determined and when the amount of the

Loss Resulting from Default Settlement is greater than the amount of such claim:

The excess amount

2. In the case where there is no Clearing Participant eligible to receive distribution of the amount set forth in each Item of the preceding Paragraph, such amount shall be disposed of in the manner prescribed by JSCC in the Subordinate Rules.

Section 6 Miscellaneous Clauses

(Article 84-2 Handling of Fails in the Case of Determination of Default, Etc.)

1. When JSCC determines Default, Etc. of a delivering Clearing Participant, for the settlements between JSCC and a receiving Clearing Participant as stipulated in Article 50-11, the settlements specified by JSCC shall be executed on the day prescribed by JSCC.
2. A delivering Clearing Participant in the preceding Paragraph shall, with respect to the settlements specified by JSCC pursuant to the provisions of the preceding Paragraph, pay the Money equal to the amount of Money specified in each of the following Items, which JSCC pays to a receiving Clearing Participant, immediately after fixing of such Money amount:
 - (1) Fails Charges;
 - (2) Money in the amount equal to interest as stipulated in Article 53; and
 - (3) Interest as stipulated in Article 67, Paragraph 1 in relation to Variation Margin related to Fail as stipulated in Article 66.

(Article 84-3 Handling of Fails related to Subject Transactions for Auction Constituted by Auction for Default Settlement)

With respect to the settlement stipulated in Article 80-7, Paragraph 2, when Japanese government bonds are not delivered from the Clearing Participant who becomes a successful bidder to JSCC on the Settlement Day of the relevant settlement, the settlement between JSCC and a receiving Clearing Participant specified by JSCC as stipulated in Article 50-11 shall be executed on the day prescribed by JSCC.

(Article 85 Special Rule for Non-performance of Obligation to Pay)

1. When a Clearing Participant submits a prior written notice to the effect that it is difficult for the Clearing Participant to perform the Obligation to Pay Related to Participants

Settlement of such Clearing Participant by the settlement cutoff time of such obligation due to the Clearing Participant's system failure, occurrence of a disaster or other unavoidable reasons, but that there is no obstacle to perform such obligation to pay in full, and if JSCC deems it appropriate, JSCC shall suspend the determination of the Default, Etc. in respect of the non-performance of such obligation to pay until the time limit prescribed by JSCC on each applicable occasion; provided, however, that foregoing shall not apply to the case where JSCC deems that any of the Items of Paragraph 1 or 2 of Article 78 (excluding Paragraph 1, Item (7)) is applicable.

2. When the notice as stipulated in the preceding Paragraph is submitted, JSCC shall notify the relevant Clearing Participant of the appropriateness/inappropriateness to apply the provisions as stipulated in the preceding Paragraph, and if JSCC considers it appropriate, the time limit as stipulated in the preceding Paragraph.

(Article 85-2 Relationship with Master Agreement in Respect of Repo Transactions of Bonds, Etc.)

In the event of any inconsistency between any of the provisions set forth in the Master Agreement in Respect of Repo Transactions of Bonds, Etc. or other agreement executed between JSCC and a Clearing Participant and the provisions of these Business Rules, Etc., the provisions of these Business Rules, Etc. shall prevail.

(Article 85-3 Delegation to Subordinate Rules)

In addition to those prescribed in this Chapter, matters necessary to prescribe in connection with default settlement of a Clearing Participant shall be prescribed by JSCC in the Subordinate Rules.

Chapter 11 Netting Account

(Article 86 Netting Account)

1. A Clearing Participant shall use Netting Account for all their payment/receipt of Money in performing the Obligation to Pay Related to Participants Settlement to/from JSCC and other payment/receipt of Money or delivery/receipt of Japanese government bonds to/from JSCC under these Business Rules.
2. The Netting Account shall be the following three (3) types, such as Ordinary Account, Repo Transactions Only Account and Subsequent Collateral Allocation Repos Only

Account, as stipulated in each of the following Items.

- (1) Ordinary Account shall be the account with which the process specified in the preceding Paragraph for all Transactions subject to Clearing can be executed.
 - (2) Repo Transactions Only Account shall be the account with which the process specified in the preceding Paragraph can be executed, for Cash-secured Lending Transaction, Etc. and Repo Transaction, Etc. (excluding those for which obligations are assumed pursuant to the provisions in Article 44, Paragraph 1, Item (2)B), Item (3)B or (3)C of the said Paragraph or Article 45, Paragraph 1, Item (2)B), Item (3)B of the said Paragraph).
 - (3) Subsequent Collateral Allocation Repos Only Account shall be the account with which the process specified in the preceding Paragraph can be executed for Subsequent Collateral Allocation Repo Transaction, Etc.
3. A Clearing Participant shall notify JSCC of type of Netting Account by each Netting Account, upon opening Netting Account, in a manner prescribed by JSCC.
 4. A Clearing Participant which is the trustee of a trust shall use the Netting Account, for transactions related to the trust delegated to it. .

(Article 87 Application for Additional Netting Account)

1. A Clearing Participant which has several Netting Accounts with JSCC shall use a separate Netting Account for each payment/receipt of Money in performing the Obligation to Pay Related to Participants Settlement to/from JSCC and other payment/receipt of Money or delivery/receipt of Japanese government bonds to/from JSCC under these Business Rules.
2. A Clearing Participant shall, when it intends to open an additional Netting Account with JSCC, submit an application for an additional Netting Account in accordance with the relevant rules of JSCC in advance, specifying the type of Netting Account stipulated in Article 86, Paragraph 2.
3. Upon receipt of the application as stipulated in the preceding Paragraph, JSCC shall approve the use of such Netting Account by such Clearing Participant, designating the starting day of the use of such Netting Account.

(Article 88 Application for Closing Netting Account)

1. When a Clearing Participant which received approval for an additional Netting Account pursuant to the provisions of Paragraph 3 of the preceding Article intends to close such

Netting Account, it shall submit to JSCC an application for closing Netting Account in advance in accordance with the relevant rules of JSCC.

2. The provisions of Paragraph 3 of the preceding Article shall apply *mutatis mutandis* to the closing of a Netting Account as stipulated in the preceding Paragraph.

(Article 89 Special Rule for Trust Account)

1. In the Case that a Clearing Participant has Trust Accounts, the provisions of Article 78, Paragraph 1 shall apply with respect to each of (i) the Netting Accounts other than the Trust Accounts, and (ii) each Trust Account for which Item (7) of said Paragraph is applicable.
2. In the case that a Clearing Participant has Trust Accounts, the provisions of Article 78, Paragraph 2 shall apply with respect to each of (i) the Netting Accounts other than the Trust Accounts and (ii) each Trust Account.
3. The provisions of Article 79 shall not apply to the Trust Accounts.

(Article 90 Special Rule for Clearing Participant Which Has Several Netting Accounts)

1. When applying the provisions listed in the left column of the following table (including cases where such provisions are referred to in these Business Rules) to a Clearing Participant which has several Netting Accounts, the terms as stipulated in the middle column of said table shall be replaced with the terms as stipulated in the right column of said table:

Article 2, Item (16)	Monetary Payment/Return Obligation	Monetary Payment/Return Obligation for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 2, Item (29)	JGB Delivery/Return Obligation	JGB Delivery/Return Obligation for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 2, Item	Required JGB OTC Transaction	Required JGB OTC Transaction

(31)	Clearing Fund Amount	Clearing Fund Amount for each Netting Account
	deposit with JSCC	deposit with JSCC for each Netting Account
Article 2, Item (40)	Obligation To Pay Related to Participants Settlement	Obligation To Pay Related to Participants Settlement for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 2, Item (60)	Second Tier Bearing Limit of Clearing Participants subject to Original Transaction Proration	Second Tier Bearing Limit of Clearing Participants subject to Original Transaction Proration for each Netting Account
	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
Article 2, Item (61)	Second Tier Bearing Limit of Clearing Participants subject to Clearing Fund Requirement Proration	Second Tier Bearing Limit of Clearing Participants subject to Clearing Fund Requirement Proration for each Netting Account
	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund deposited with JSCC for each Netting Account
Article 2, Item (73)	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
	a Clearing Participant is	a Clearing Participant is, for each Netting Account,
Article 2, Item (99)	Unsettled Monetary Positions	Unsettled Monetary Positions for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing for each Netting Account

Article 2, Item (100)	Unsettled Securities Positions	Unsettled Securities Positions for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 46	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 46-2	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 46-3	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-2	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-3, Paragraph 1	shall notify	shall, for each Netting Account, notify
Article 50-4	shall allocate	Shall, for each Netting Account, allocate
Article 50-5	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-6	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-7	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 65	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
Article 66	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
Article 67	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
Article 68	same Clearing Participant	same Netting Account of the same Clearing Participant
Article 70	Clearing Participant shall	Clearing Participant shall, for each Netting Account,

	the amount of Initial Margin	the amount of Initial Margin for each Netting Account
	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
Article 70-3, Paragraph 1	Clearing Participant may	Clearing Participant may, for each Netting Account,
	the amount of Initial Margin	the amount of Initial Margin for each Netting Account
	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
Article 70-3, Paragraph 2	Initial Margin	Initial Margin for each Netting Account
Article 70-5	Clearing Participant shall	Clearing Participant shall , for each Netting Account,
Article 70-7	The Clearing Participant may	The Clearing Participant may, for each Netting Account,
	the JGB OTC Transaction Clearing Fund	the JGB OTC Transaction Clearing Fund for each Netting Account
	the Required JGB OTC Transaction Clearing Fund Amount	the Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
Article 70-8, Paragraph 1	the amount prescribed by JSCC	the amount prescribed by JSCC for each Netting Account
Article 73	for each Clearing Participant	for each Clearing Participant for each Netting Account
Article 78, Paragraph 1	all obligations	all obligations (when Item (7) is applicable, limited to the obligations related to such Netting Account)
	Obligation to Pay Related to Participants Settlement	Obligation to Pay Related to Participants Settlement for each Netting Account
Article 79, Paragraph 1	all of the outstanding Monetary Payment/Return Obligations	all of the outstanding Monetary Payment/Return Obligations and

	and JGB Delivery/Return Obligation	JGB Delivery/Return Obligation for each Netting Account
	single obligation	single obligation for each Netting Account
Article 80, Paragraph 1	Obligation to Pay Related to Participants Settlement	Obligation to Pay Related to Participants Settlement for each Netting Account
	obligations to JSCC	obligations to JSCC for each Netting Account
	obligations to such Clearing Participant	obligations to such Clearing Participant for each Netting Account
Article 80, Paragraph 2	Clearing Participant's obligations owed to JSCC	Clearing Participant's obligations owed to JSCC for each Netting Account
	Obligation to Pay Related to Participants Settlement	Obligation to Pay Related to Participants Settlement for each Netting Account
	obligations owed to such Clearing Participant	obligations owed to such Clearing Participant for each Netting Account
	JSCC's Monetary Payment/Return Obligations	JSCC's Monetary Payment/Return Obligations to a Clearing Participant for each Netting Account
	obligation to return the Remaining Quantity of Substituting Initial Margin Deposit	obligation to return the Remaining Quantity of Substituting Initial Margin Deposit to a Clearing Participant for each Netting Account
	obligation to return the Remaining Quantity of Substituting JGB OTC	obligation to return the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit

	Transaction Clearing Fund Deposit	to a Clearing Participant for each Netting Account
	obligation to return the Remaining Quantity of Substituting Default Contingent Margin Deposit	obligation to return the Remaining Quantity of Substituting Default Contingent Margin Deposit to a Clearing Participant for each Netting Account
	Security Settlement Obligation Related to Individual Issue Transaction	Security Settlement Obligation Related to Individual Issue Transaction for each Netting Account
	Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.	Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. for each Netting Account
	Starting/Rewind JGB Delivery Obligation (Basket)	Starting/Rewind JGB Delivery Obligation (Basket) for each Netting Account
	Ending/Unwind JGB Delivery Obligation (Basket)	Ending/Unwind JGB Delivery Obligation (Basket) for each Netting Account
	obligation to deliver Japanese government bonds	obligation to deliver Japanese government bonds for each Netting Account
Article 80-5, Paragraph 1	Unsettled Monetary Positions and Unsettled Securities Positions	Unsettled Monetary Positions and Unsettled Securities Positions for each Netting Account
	a single obligation	a single obligation for each Netting Account
Article 83-2, Paragraph 1, Item (3)	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund for each Netting Account deposited with JSCC
	contribution ratio	contribution ratio for each Netting

		Account
	Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration	Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration for each Netting Account
Article 83-2, Paragraph 1, Item (5)	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund for each Netting Account deposited with JSCC
	Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration	Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration for each Netting Account
	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
Article 83-2, Paragraph 2	JGB OTC Transaction Clearing Fund deposited	JGB OTC Transaction Clearing Fund for each Netting Account deposited
Article 83-3	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
	Default Contingent Margin deposited	Default Contingent Margin deposited for each Netting Account
	each such Clearing Participant shall deposit with JSCC	each such Clearing Participant shall deposit with JSCC for each Netting Account
Article 83-4	the amount prescribed by JSCC	the amount prescribed by JSCC for each Netting Account
Article 83-5	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund for each Netting Account deposited with JSCC
Article 83-6	Second Tier Bearing Limit of Clearing Participant subject to	Second Tier Bearing Limit of Clearing Participant subject to

	Original Transaction Proration	Original Transaction Proration for each Netting Account
	determined by JSCC	determined by JSCC for each Netting Account
Article 83-7	Variation Margin, Etc.	Variation Margin, Etc. for each Netting Account
	its gain	its gain for each Netting Account
	the amount prescribed by JSCC in the Subordinate Rules	the amount prescribed by JSCC in the Subordinate Rules for each Netting Account
Article 83-8	Each Clearing Participant shall post	Each Clearing Participant shall post for each Netting Account
Article 83-9, Paragraph 1	Non-Defaulting Clearing Participant shall deposit	Non-Defaulting Clearing Participant shall deposit for each Netting Account
Article 83-9, Paragraph 2	Required amount of Default Contingent Margin	Required amount of Default Contingent Margin for each Netting Account
Article 83-9, Paragraph 3	at the end of	for each Netting Account at the end of

- 2 If a Clearing Participant opens Trust Accounts, the provisions in Article 50-2 to Article 50-7 shall apply, deeming a single netting unit (referring to a unit specified by Netting Account and the matters classifying unit of netting, as stipulated in article 40, Paragraph 2, Item 4 B) as a single Netting Account.
3. A Clearing Participant which has Trust Accounts may designate a combination of Trust Accounts (hereinafter referred to as create an Initial Margin Group and allocate one or more Trust Accounts to each of such Initial Margin Groups.
4. When a Clearing Participant intends to create or cancel the creation of an Initial Margin Group, the Clearing Participant shall notify JSCC thereof in accordance with the relevant rules of JSCC in advance.
5. When a Clearing Participant has an Initial Margin Group, one (1) Initial Margin Group shall be deemed to be one (1) Netting Account in applying the provisions of Articles 70 to 70-8, Articles 73, 78,80 and Articles 83-2 to 83-9 as well as Article 86、 Paragraph 2

and paragraph 3. .

Chapter 12 Miscellaneous Clauses

(Article 91 Extraordinary Change of Settlement Cutoff Time)

When JSCC deems it necessary, JSCC may extraordinarily change the settlement cutoff time between JSCC and a Clearing Participant. In such case, JSCC shall notify the Clearing Participant to that effect in advance.

(Article 92 Deferment of Settlement Day Due to System Failure, Etc.)

1. In the event that JSCC deems it impossible or difficult to execute the settlement by using the systems set up by JSCC or other institutions, which are necessary to conduct the settlement between JSCC and a Clearing Participant under these Business Rules, due to an occurrence of a system failure to those systems or some other unavoidable reasons, JSCC may defer all or part of the Settlement Day, Etc. to the following day or later. In such case, JSCC shall notify the Clearing Participant to that effect in advance.
2. The matters necessary for the deferment of the Settlement Day as stipulated in the preceding Paragraph shall be prescribed by JSCC on each applicable occasion.

(Article 93 Extraordinary Measures in Cases of Natural Disaster, Etc.)

1. If circumstances lead up to the event that the settlement between JSCC and a Clearing Participant under these Business Rules is deemed to be impossible or extraordinarily difficult due to a natural disaster or other unavoidable reasons, JSCC may set new conditions of the settlement through a resolution adopted at the meeting of board of directors.
2. When JSCC has set the new conditions of the settlement pursuant to the preceding Paragraph, the Clearing Participants shall comply therewith.
3. In the case of the event as stipulated in Paragraph 1, if urgently necessary, JSCC may set new conditions of the settlement without the resolution of board of directors' meeting.

(Article 94 Cancellation, Etc. of Claims and Obligations under When-Issued Transaction

With regard to the Transactions Subject to Clearing on the When-Issued Transaction
(referring to Buying and Selling of Japanese Government Bonds, Cash-secured Bond

Lending Transaction or Standard Repo Transaction for which, on or before the day immediately preceding their issue date originally scheduled, the parties enter into a contract containing the condition precedent that such Japanese government bonds are issued on said issue date, and for which the settlement is executed on or after the issue date), in the event that the conditions of issuance of the Japanese government bonds subject to such transaction are changed, or that such Japanese government bonds are not issued or recognized as not to be issued by the Settlement Day, Etc. of such transaction, jscc may take the measures to change the Settlement Day, Etc. of such transaction or to cancel the claims and obligations under such transaction.

(Article 95 Application of Excess Collateral relating to JGB OTC Transaction Clearing Business to Other Clearing Business)

JSCC may apply the excess collateral deposited by the Defaulting Clearing Participant in relation to the JGB OTC Transaction Clearing Business (referring to the Initial Margin or other collateral of which the Defaulting Clearing Participant has the right to claim refund from JSCC in connection with the JGB OTC Transaction Clearing Business, that remains after the application to the payment of the obligations of the Defaulting Clearing Participant in accordance with the provisions of these Business Rules, Etc.) to the payment of any other obligations owed by the Defaulting Clearing Participant to JSCC in accordance with the provisions of the business rules of the other clearing businesses as applicable.

(Article 96 Delegation of Operations)

1. JSCC may delegate the administrative work specified by JSCC relating to the JGB OTC Transaction Clearing Business to the entity designated by JSCC.
2. In addition to these Business Rules, Clearing Participants shall comply with the rules in respect of the administrative work described in the preceding Paragraph, which are prescribed by the entity designated pursuant to said Paragraph and are approved by JSCC.
3. The provisions of Article 17 shall apply *mutatis mutandis* to the case prescribed in Paragraph 1.

(Article 97 Stipulation of Necessary Matters Concerning JGB OTC Transaction Clearing Business)

In addition to the matters prescribed in these Business Rules, when JSCC deems it necessary with regard to the JGB OTC Transaction Clearing Business, JSCC may prescribe in the Subordinate Rules concerning required operations.

(Article 98 Incidental Business)

JSCC shall conduct the business incidental to the Financial Instruments Obligation Assumption Service and Related Service (only those set forth in Article 3).

(Article 99 Authority to Make Amendments)

Amendments to these Business Rules shall be made by resolutions adopted at the meetings of the board of directors of JSCC; provided, however, that the foregoing shall not apply when the amendments are not material.

(Article 100 JGB OTC Transaction Management Committee)

1. In the case where JSCC intends to make any change to these Business Rules, Etc. as set forth the preceding Article and if such change is made to any of the matters set forth in each of the following Items, JSCC shall consult with the JGB OTC Transaction Management Committee about whether such change is appropriate or not, and respect the JGB OTC Transaction Management Committee's opinions; provided, however, that the foregoing provision does not apply in the case where such change is insignificant:
 - (1) Matters related to Transactions Subject to Clearing set forth in Article 4;
 - (2) Matters related to the eligibility requirements of JGB OTC Transaction Clearing Qualification set forth in Article 7;
 - (3) Matters related to the voluntary renunciation of JGB OTC Transaction Clearing Qualification set forth in Chapter 2, Section 3;
 - (4) Matters related to the measures, etc. to be taken with respect to Clearing Participants set forth in Chapter 2, Section 4;
 - (5) Matter related to Brokerage for Clearing of Securities, Etc. set forth in Chapter 3;
 - (6) Matters related to Variation Margins set forth in Chapter 7;
 - (7) Matters related to Initial Margins and JGB OTC Transaction Clearing Fund set forth in Chapter 9;
 - (8) Matters related to the measures in case of Settlement Default by Clearing Participants set forth in Chapter 10;
 - (9) Matters related to the method to deliver for changing these Business Rules as set

forth in the preceding Article; and

(10) Matters related to consultation with the JGB OTC Transaction Management Committee.

2. Other than the matters set forth in the preceding Paragraph, matters related to the JGB OTC Transaction Management Committee shall be prescribed by JSCC in the Subordinate Rules.

(Article 101 Governing Law and Agreement on Jurisdiction)

1. These Business Rules, Etc. shall be governed by the laws of Japan.
2. The Tokyo District Court shall have exclusive jurisdiction over any dispute that may arise between JSCC and a Clearing Participant with regard to the rights and obligations arising out of these Business Rules, Etc.; provided, however, that JSCC shall not be prevented from instituting a lawsuit against a Clearing Participant in a court in a foreign country which is recognized as a court having jurisdiction.

Supplementary Provisions

- 1 These Business Rules shall come into effect on October 1, 2013; provided, however, that the provisions of Article 90, Paragraphs 2 to 4 shall come into effect as from the date separately prescribed by JSCC.
- 2 During the period from the date these Business Rules come into effect (hereinafter referred to as the “Effective Date”) to March 30, 2014, in applying Article 7, Paragraph 1, Item (2), B), (c), Article 7, Paragraph 2, Item (1), B), (c), Article 7, Paragraph 2, Item (2), B), (c), Article 28, Paragraph 3, Item (5) and Article 28, Paragraph 4, Item (5), the words “4.5 percent” in Article 7, Paragraph 1, Item (2), B), (c), a., Article 7, Paragraph 2, Item (1), B), (c), a., Article 7, Paragraph 2, Item (2), B), (c), a., Article 28, Paragraph 3, Item (5), A) and Article 28, Paragraph 4, Item (5), A) shall be interpreted to mean “3.5 percent,” and the words “6 percent” in Article 7, Paragraph 1, Item (2), B), (c), b. Article 7, Paragraph 2, Item (1), B), (c), b., Article 7, Paragraph 2, Item (2), B), (c), b., Article 28, Paragraph 3, Item (5), B) and Article 28, Paragraph 4, Item (5), B) shall be interpreted to mean “4.5 percent”.
- 3 During the period from March 31, 2014 to March 30, 2015, in applying Article 7, Paragraph 1, Item (2), B), (c), Article 7, Paragraph 2, Item (1), B), (c), Article 7, Paragraph 2, Item (2), B), (c), Article 28, Paragraph 3, Item (5) and Article 28, Paragraph 4, Item (5), the words “4.5 percent” in Article 7, Paragraph 1, Item (2), B), (c), a., Article 7, Paragraph

- 2, Item (1), B), (c), a., Article 7, Paragraph 2, Item (2), B), (c), a., Article 28, Paragraph 3, Item (5), A) and Article 28, Paragraph 4, Item (5), A) shall be interpreted to mean “4 percent,” and the words “6 percent” in Article 7, Paragraph 1, Item (2), B), (c), b. Article 7, Paragraph 2, Item (1), B), (c), b., Article 7, Paragraph 2, Item (2), B), (c), b., Article 28, Paragraph 3, Item (5), B) and Article 28, Paragraph 4, Item (5), B) shall be interpreted to mean “5.5 percent”.
- 4 An entity having either Principal Clearing Qualification or Agency Clearing Qualification under the business rules prescribed by Japan Government Bond Clearing Corporation (hereinafter referred to as “JGBCC Business Rules”) on the day immediately preceding the Effective Date shall have JGB OTC Transaction Principal Clearing Qualification or JGB OTC Transaction Agency Clearing Qualification, as the case may be, of JSCC as of the Effective Date.
- 5 In addition to the provisions set forth in the immediately preceding Paragraph, the legal relationships existing between Japan Government Bond Clearing Corporation and the clearing participants of the said company under the JGBCC Business Rules, Etc. (referring to the JGBCC Business Rules and the rules and regulations promulgated thereunder, the same applies in this Paragraph) as of the day immediately preceding the Effective Date shall become subject to these Business Rules (including the rules and regulations promulgated under these Business Rules) on and after the Effective Date and the JGBCC Business Rules, Etc. shall be abolished.
- 6 If any act of a clearing participant of Japan Government Bond Clearing Corporation prior to the Effective Date falls under the acts that give rise to the measures, Etc. to be taken with respect to Clearing Participants set forth in Chapter 2, Section 5 of these Business Rules, such act shall be deemed to be an act that gives rise to the measures, Etc. to be taken with respect to Clearing Participants set forth in Chapter 2, Section 5, and these Business Rules shall apply to such act.
- 7 In addition to the provisions of preceding three paragraphs, handling of the JGB OTC Transaction Clearing Business and other necessary matters at the time when these Business Rules come into effect shall be determined by JSCC at each applicable occasion.

Note: The date separately prescribed by JSCC, as mentioned in Paragraph 1, is January 14, 2014.

Supplementary Provisions

These revised Business Rules shall come into effect on January 14, 2014.

Supplementary Provisions

These revised Business Rules shall come into effect on the date designated by JSCC.

Note: The date designated by JSCC is March 7, 2014.

Supplementary Provisions

- 1 These revised Business Rules shall come into effect on March 24, 2014.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after March 24, 2014 designated by JSCC.

Supplementary Provisions

These revised Business Rules shall come into effect on March 31, 2014.

Supplementary Provisions

These revised Business Rules shall come into effect on June 2, 2014.

Supplementary Provisions

- 1 These revised Business Rules shall come into effect on October 14, 2014.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after October 14, 2014 designated by JSCC. In such case, matters necessary upon enforcement of these revised Business Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

- 1 These revised Business Rules shall come into effect on October 13, 2015, except for the

revisions to Article 51, Paragraphs 3 to 5, Article 54, Paragraph 3, Article 56, Paragraph 4, Article 57, Paragraph 3, Article 59, Paragraph 3, Article 60, Paragraph 3, Article 62, Paragraph 3 and Article 63, Paragraph 3, which shall come into effect on October 14, 2015.

- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Business Rules to apply due to unavoidable reasons, the revised Business Rules shall come into effect on the day set by JSCC which is not earlier than October 13, 2015.

Supplementary Provisions

- 1 These revised Rules shall come into effect on May 1, 2018.
- 2 If the date designated by JSCC pursuant to the provisions in Article 6, Paragraph 6 in relation to the approval with respect to JGB OTC Transaction Clearing Qualification is the day on which this revised Rules comes to effect. Notwithstanding the provisions of Paragraph 1 and Paragraph 2 of the said Article, the deposit of Initial Margin and JGB OTC Transaction Clearing Fund and the other procedures that JSCC deems necessary for obtaining the JGB OTC Transaction Clearing Qualification shall be separately determined by JSCC.
- 3 Notwithstanding the provisions of preceding two (2) paragraphs, due to an unavoidable reason, such as trouble in JSCC's system operation, when JSCC deems that it is not appropriate to apply these revised Rules, then these Rules shall come into effect on the date on or after May 1, 2018 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

These revised Business Rules shall come into effect on October 5, 2018.

Supplementary Provisions

- 1 These revised Business Rules shall come into effect on January 11, 2022.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation which is necessary for settlement of the Cleared Contracts between JSCC and Clearing Participants, JSCC

deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after January 11, 2022 designated by JSCC. In such case, matters necessary upon enforcement of these revised Business Rules shall be prescribed by JSCC at each time.