

## Rules on Required Initial Margin Amount related to JGB OTC Transaction

## (Article 1 Purpose)

These Rules set forth the matters related to the Required Initial Margin Amount pursuant to the provisions of Article 70-2 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the "Business Rules").

## (Article 2 Required Initial Margin Amount)

1. The Required Initial Margin Amount for each Clearing Participant shall be the amount calculated for each Clearing Participant pursuant to *Appendix "Table Concerning Calculation of Required Initial Margin Amount"*
2. The calculation of Required Initial Margin Amount stipulated in preceding Paragraph shall be executed at 7:00 a.m., 11:00 a.m. and 2:00 p.m. on the day such calculation is executed (hereinafter referred to as the "Calculation Day"). In such case, the Required Initial Margin Amount calculated at 7:00 a.m., shall be referred to as the "First Required Margin Amount", the Required Initial Margin Amount calculated at 11:00 a.m., shall be referred to as the "Second Required Margin Amount" and the Required Initial Margin Amount calculated at 2:00 p.m., shall be referred to as the "Third Required Margin Amount".
3. Notwithstanding the provisions of the preceding two Paragraphs, the Required Initial Margin Amount for an entity which has newly obtained the Clearing Qualification shall be the amount specified by JSCC at each time taking into account such information as the scale of the business of the entity, its trading records and trading prospects and the amount of money obtained by dividing the sum of the Required Initial Margin Amount for each Clearing Participant as of the date on which applications for the Clearing Qualification were submitted by the number of the Clearing Participants, and such Required Initial Margin Amount shall be applied for the period JSCC deems necessary.

## (Article 3 Change of Required Initial Margin Amount)

1. Notwithstanding the provisions of the preceding Article, JSCC may, when a Clearing Participant falls under any of the events listed in the following Items, increase the Required Initial Margin Amount (when a Clearing Participant falls under Item (2),

excluding the Required Initial Margin Amount in relation to the Trust Accounts) for such Clearing Participant for the period JSCC deems necessary.

(1) In the case where the Clearing Participant no longer satisfies the requirements as stipulated in Article 7, Paragraph 1, Item (2), A), (b) or B), (b), and when JSCC deems it necessary.

(2) When the Required Initial Margin Amount (excluding the Required Initial Margin Amount in relation to the Trust Accounts; the same applies hereinafter in this Item) for the Clearing Participant (in the case of a Clearing Participant for which a Guarantee by the Parent Company, Etc. has been extended by its Parent Company, Etc. (hereinafter referred to as the "Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision"), the Required Initial Margin Amount for such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision added by the Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision: the same applies hereinafter) of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, and in the case of a Clearing Participant which is the Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the Required Initial Margin Amount for such Clearing Participant which is the Parent Company, Etc. added by the Required Initial Margin Amount for the Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) becomes not less than the amount of net worth (*jun zaisan*) (in the case of a Clearing Participant which is not a Financial Instrument Business Operator, the amount of net assets (*jun shisan*) or the equivalent amount) of such Clearing Participant (in the case of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision, the Parent Company, Etc. of such Clearing Participant by Parent Company, Etc. under Special Provision) multiplied by the rate prescribed by JSCC.

2. Notwithstanding the provisions of the preceding Article, when the Required Initial Margin Amount in relation to a Trust Account for a Clearing Participant which is the trustee of a trust (in the case of a Clearing Participant which has several Trust Accounts, the sum of the Required Initial Margin Amount in relation to the Trust Accounts for such Clearing Participant) becomes not less than the amount obtained by multiplying (x) the

amount of balance of Japanese government bonds in the balance of trust assets delegated to such Clearing Participant multiplied by the value obtained by subtracting, from one (1), such value as is obtained by dividing the largest value of the Market Price Fluctuation Risk Factor prescribed in Paragraph 1, Item (2), Note (1) of *Appendix* by one hundred (100), by (y) the rate prescribed by JSCC, JSCC may increase the Required Initial Margin Amount in relation to a Trust Account for such Clearing Participant (in the case of a Clearing Participant which has several Trust Accounts, the Required Initial Margin Amount in relation to each Trust Account for such Clearing Participant) for the period JSCC deems necessary.

3. In addition to the cases as stipulated in the preceding two (2) Paragraphs, notwithstanding the provisions of the preceding Article, JSCC may, on a temporary basis, change the Required Initial Margin Amount in cases where a Clearing Participant merges or JSCC otherwise deems necessary.

(Article 4 Special Rule for Clearing Participant Which Has Several Netting Accounts)

1. When applying the provisions listed in the left column of the following table to a Clearing Participant which has several Netting Accounts, the terms in these provisions 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, Paragraph 1	Required Initial Margin Amount for each Clearing Participant shall	Required Initial Margin Amount for each Netting Account of each Clearing Participant shall
	for each Clearing Participant pursuant to <i>Appendix</i>	for each Netting Account for each Clearing Participant pursuant to <i>Appendix</i>
Article 2, Paragraph 3	for an entity which has newly obtained the Clearing Qualification	for each Netting Account of an entity which has newly obtained the Clearing Qualification or opened a Netting Account
Article 3, Paragraph 1 (excluding Item	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account

(2))		
Article 3, Paragraph 1, Item (2)	Required Initial Margin Amount (excluding the Required Initial Margin Amount in relation to the Trust Accounts; the same applies hereinafter in this Item) for the Clearing Participant	sum of the Required Initial Margin Amount (excluding the Required Initial Margin Amount in relation to the Trust Accounts; the same applies hereinafter in this Item) for each Netting Account of the Clearing Participant
	Required Initial Margin Amount for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision	sum of the Required Initial Margin Amount for each Netting Account of such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision
	Required Initial Margin Amount for such Clearing Participant which is the Parent Company, Etc.	sum of the Required Initial Margin Amount for each Netting Account of such Clearing Participant which is the Parent Company, Etc.
Article 3, Paragraph 3	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account

2. In the case where a Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision) has multiple Netting Accounts, when applying the provision listed in the left column of the following table to the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision, the term in the provision as stipulated in the middle column of said table shall be replaced with the term as stipulated in the right column of said table:

Article 3, Paragraph 1, Item (2)	Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the	sum of the Required Initial Margin Amount for each Netting Account for the Parent Company, Etc. (limited to those extending the Guarantee by
--	---	--

	Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision: the same applies hereinafter)	Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision: the same applies hereinafter).
--	--	--

3. In the case where a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision has multiple Netting Accounts, when applying the provision listed in the left column of the following table to a Clearing Participant which is a Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision), the term in the provision as stipulated in the middle column of said table shall be replaced with the term as stipulated in the right column of said table:

Article 3, Paragraph 1, Item (2)	Required Initial Margin Amount for the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision	sum of Required Initial Margin Amount for each Netting Account for the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision
----------------------------------	---	---

4. When a Clearing Participant has created an Initial Margin Group, one (1) Initial Margin Group shall be deemed to be one (1) Netting Account in applying the provisions of the preceding two (2) Articles.

#### Supplementary Provisions

These Rules shall come into effect on October 1, 2013; provided, however, that the provisions of Article 4, Paragraph 4 shall come into effect as from the date separately prescribed by JSCC.

Note. The date separately prescribed by JSCC is January 14, 2014.

#### Supplementary Provisions

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

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on October 14, 2014; except for the provisions referring to an addition of the market impact charge in Paragraph 1 of Appendix "Table Concerning Calculation of Required Initial Margin Base Amount," which shall apply to the calculation for January 19, 2015 and thereafter.
- 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 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 Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on October 13, 2015.
- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Rules to apply due to unavoidable reasons, the revised 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 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for these revised Rules to apply due to unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than May 1, 2018. In such case, matters necessary upon enforcement of these Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

These revised Rules shall come into effect on April 1, 2019. However, revised Rules

stipulated in Paragraph 1, Item 2, (Note) 1 of *Appendix "Table Concerning Calculation of Required Initial Margin Amount"* shall come into effect on April 22, 2019.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on December 18, 2023.
- 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 these revised Rules, then These revised Rules shall come into effect on the date on or after December 18, 2023 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

*Appendix*

*Table Concerning Calculation of Required Initial Margin Amount*

1. The Required Initial Margin Amount for each Clearing Participant shall be the amount calculated by the following calculation formula:

Required Initial Margin Amount

= Required Initial Margin Amount in relation to FOS Settlement + the amount equal to restructuring cost in relation to Japanese government bonds + the amount equal to the Repo Rate Fluctuation Risk + required amount of market impact charge

- (1) The Required Initial Margin Amount in relation to FOS Settlement shall be the amount prescribed as below A) to C), in accordance with the classification specified therein.

A) The amount in relation to the First Required Margin Amount : The total amount specified in below (a) and (b):

(a) The amount equal to the delivery adjustment amount related to the Subsequent Collateral Allocation Repo Transaction, Etc. which such Clearing Participant pays to JSCC, upon the Collateral Allocation executed at 7:00 a.m. on the Calculation Day.

(b) When the Variation Margin is calculated for the obligations which owed by such Clearing Participant in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. at the time of assumption of obligations at 7:00 a.m. on the Calculation Day, the amount equal to the amount deposited with JSCC by such Clearing Participant as the Variation Margin pursuant to the provisions in Article 65, Paragraph 1 of the Business Rules.

B) The amount in relation to the Second Required Margin Amount: The total amount specified in below (a) and (b):

(a) The amount equal to the delivery adjustment amount related to the Subsequent Collateral Allocation Repo Transaction, Etc. which such Clearing Participant pays

- to JSCC, upon Collateral Allocation executed at 11:00 a.m. on the Calculation Day.
- (b) When the Variation Margin is calculated for the obligations which owed by such Clearing Participant in relation to the Subsequent Collateral Allocation Repo Transaction, Etc., at the time of assumption of obligations at 11:00 a.m. on the Calculation Day, the amount equal to the amount deposited with JSCC by such Clearing Participant as the Variation Margin pursuant to the provisions in Article 65, Paragraph 1 of the Business Rules.
- C) The amount in relation to the Third Required Margin Amount: The total amount specified in below (a) and (b):
- (a) The average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) of the daily sum amount specified in (i) and (ii) below during a period of one hundred and twenty (120) days ending on the Calculation Day (excluding holidays; the same applies for day count calculation, hereinafter except for the cases in Item (3) Note hereof).
- (i) The amount paid/received by such Clearing Participant to/from JSCC, as the Variation Margin in relation to the Individual Issue Transaction.
- (ii) The delivery adjustment amount related to the Individual Issue Transaction.
- (b) When the Variation Margin is calculated for the obligations which owed by such Clearing Participant in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. at the time of assumption of obligations at 14:00 p.m. on the Calculation Day, the amount equal to the amount paid/received to/from JSCC from/to such Clearing Participant from/to such Clearing Participant as the Variation Margin pursuant to the provisions in Article 65, Paragraph 1 of the Business Rules.
- (2) The amount equal to Japanese government bonds restructuring cost shall be the amount specified in (a) to (c) in accordance with the classification specified therein.
- A) First Required Margin Amount: The largest of the POMA in relation to Japanese government bonds restructuring cost, the adjusted POMA in relation to Japanese government bonds restructuring cost or the lower limit of Japanese government

bonds restructuring cost:

- (a) The POMA in relation to Japanese government bonds restructuring cost in this A) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.
- (b) The adjusted POMA in relation to Japanese government bonds restructuring cost in this A) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.
- (c) The lower limit of Japanese government bonds restructuring cost. in this A) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity of total quantity to be delivered and total

quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).

B) The amount in relation to the Second Required Margin Amount: The larger of the adjusted POMA in relation to Japanese government bonds restructuring cost or the lower limit of Japanese government bonds restructuring cost.

(a) The adjusted POMA in relation to Japanese government bonds restructuring cost in this B) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the immediately following day of the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of the setoff category based on the classification of each issue according to the remaining years to maturity.

(b) The lower limit of Japanese government bonds restructuring cost in this B) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on

or after the day immediately following the Calculation Day and in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by the Market Price Fluctuation Risk Factor for each issue multiplied by ten hundredths (0.1).

C) The amount in relation to the Third Required Margin: The largest amount of the adjusted POMA in relation to Japanese government bonds restructuring cost, the average POMA in relation to Japanese government bonds restructuring cost or the lower limit of Japanese government bonds restructuring cost.

(a) The adjusted POMA in relation to Japanese government bonds restructuring cost in this C), shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the immediately following day of the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.

(b) The average POMA in relation to Japanese government bonds restructuring cost in this C) shall be the average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) POMA for calculating the average POMA in relation to Japanese government bonds restructuring cost for such Clearing Participant for such Clearing Participant on each day during a period of one hundred and twenty (120) days ending on the immediately preceding day of the Calculation Day (if such day falls on a holiday, preceding day which is not a holiday)

(c) The lower limit of Japanese government bonds restructuring cost in this C) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by Market Price Fluctuation Risk Factor for each issue multiplied by ten hundredths (0.1).

(Note)

1" Market Price Fluctuation Risk Factor" in this Item shall be the value as determined by JSCC, as the largest of value determined by JSCC as the level to cover 99% of 3-day fluctuation rate of the daily market price by each issue during the period of past 250-day period, the level to cover 99% of 3-day fluctuation rate of the daily market price by each issue during the period of past 500-day period or the level to cover 99% of 3-day fluctuation rate of the daily market price by each issue during the period of past 1,250-day period, each period including a day determined by JSCC as a stressed day for the purpose of calculating restructuring cost of Japanese government bonds (In case of Inflation-Indexed Japanese government bonds, the value as determined by JSCC, as the level to cover 3-day fluctuation of the Indexation Coefficient on the date on which Market Price Fluctuation Risk Factor is applied for the purpose of calculating restructuring cost of Japanese government bonds (the same applies in Paragraph 3).

2."POMA for calculating Average POMA in relation to Japanese government bonds restructuring cost" in this Item C)(b) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity for such Clearing Participant, of the quantity in relation to the Security Settlement Obligation Related to Individual Issue Transaction of which obligations have been assumed

by a certain day and of which Settlement Day, Etc. arrives on or after the day immediately following such day and the quantity in relation to the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on such day and of which Settlement Day, Etc. arrives on or after the day immediately following such day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.

(3) The Amount Equal to the Repo Rate Fluctuation Risk shall be the amount specified in below A) to C) in accordance with the classification specified therein.

A) The amount in relation to the First Required Margin Amount: The larger of the POMA in relation to the Repo Rate Fluctuation Risk or the lower limit of the Repo Rate Fluctuation Risk.

(a) The POMA in relation to the Repo Rate Fluctuation Risk in this A) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount, by each issue and by each Settlement Day, Etc., for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc.

(b) The Repo Rate Fluctuation Risk lower limit in this A) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the

immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc., multiplied by ten hundredths (0.1).

B) The amount in relation to the Second Required Margin Amount: The larger of the POMA in relation to the Repo Rate Fluctuation Risk or the Repo Rate Fluctuation Risk lower limit

(a) The POMA in relation to the Repo Rate Fluctuation Risk in this B) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc. for such Clearing Participant.

(b) Repo Rate Fluctuation Risk Lower Limit in this B) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which

obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc. multiplied by ten hundredths (0.1).

C) The amount in relation to the Third Required Margin Amount: The largest of the adjusted POMA in relation to Repo Rate Fluctuation Risk, the average POMA in relation to Repo Rate Fluctuation Risk or the lower limit of Repo Rate Fluctuation Risk. .

(a) The adjusted POMA in relation to the Repo Rate Fluctuation Risk in this C) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by each Basket, each issue and each Settlement Day, Etc.

(b) The average POMA in relation to the Repo Rate Fluctuation Risk in this C) shall be the average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) daily POMA for calculating average POMA in relation to the Repo Rate Fluctuation Risk of the relevant Clearing Participant during a period of one hundred and twenty (120) days ending on the immediately preceding day of the Calculation Day. (if such day falls on a holiday, the day shall be the immediately preceding business day).

(c) The lower limit of Repo Rate Fluctuation Risk lower limit in this C), shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing

Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by each Basket, each issue and each Settlement Day, Etc. multiplied by ten hundredths (0.1).

(Note) 1. "Repo Rate Fluctuation Risk Gross Amount" in this Item shall be the market value of the net quantity of total quantity to be delivered and total quantity to be received in relation to the Transaction subject to Clearing (In case of the Subsequent Collateral Allocation Repo Transaction, Etc., the Starting Delivery Amount) multiplied by the Repo Rate Fluctuation Risk Factor and by the value obtained by the number of days from the following day of regular transfer day (if such day falls on a holiday, the day shall be the immediately following business day; the same applies, hereinafter). to Settlement Day, Etc. divided by 365 (In cases where Settlement Day, Etc. arrives before regular transfer day, the value obtained the number of days from the Settlement Day, Etc. to the immediately preceding day of regular transfer day divided by 365, in cases where the Settlement Day, Etc. is regular transfer day, such value shall be zero).

2. "Market Value" in above Note (1) shall be the amount appraised based on the average price stated in the reference statistical prices published by the Japan Securities Dealers Association as of the date of the immediately following day of the Calculation Day (if such day falls on a holiday, following day which is not a holiday) (if the reference statistical price for such issue is not published on the immediately following Calculation Day, the price determined by JSCC at each time) (any fractional amount less than one (1) yen shall be rounded down)) adding the accrued interest amount for number of days to the regular transfer day (any fractional amount less than one (1) yen shall be rounded down).

3. "Repo Rate Fluctuation Risk Factor" in Note (1) shall be the value prescribed by JSCC to calculate the repo rate fluctuation risk (the same applies for Note (4)).
4. "The Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount" in this Item shall be the total amount for all issues, of the difference of the amount calculated in below A) and B) for each issue, with respect to the Repo Rate Fluctuation Risk Gross Amount.
- A) The total sum of the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity to be delivered in relation to the Transactions subject to Clearing of which Settlement Day, Etc. falls on or after the regular transfer day and the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity to be received, in relation to Transactions subject to Clearing for which Calculation Day is the Settlement Day, Etc.
- B) The total sum of the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity received in relation to Transactions subject to Clearing for which Settlement Day, Etc. arrives on or after the regular transfer day of the Calculation Day and the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity received, in relation to Transactions subject to Clearing for which Calculation Day is the Settlement Day, Etc.
5. "The POMA for calculating the Average POMA Repo Rate in relation to Fluctuation Risk" in in this Item C)(b) shall be the total amount for all issues, for such Clearing Participant, of the net amount in relation to the Repo Rate Fluctuation Risk Gross Amount, for each issue and each Settlement Day, Etc. in relation to the Individual Issue Transaction of which obligations have been assumed by a certain day and of which Settlement Day, Etc. arrives on or after immediately following day of such day and the net amount in relation to the Repo Rate Fluctuation Risk Gross Amount, for each Basket and each Settlement Day, Etc., in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on such day and of which Settlement Day, Etc. arrives on or after day immediately following such day for each issue.
- (4) The market impact charge required amount shall be the amount specified in A) to C) in accordance with the classification specified therein.

- A) The amount in relation to the First Required Margin Amount: The larger of the amount equal to the transaction execution costs or the amount equal to adjusted transaction execution costs.
- (a) The amount equal to transaction execution costs in this A), shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day valued by the basis point value and Basis Spread (in case of the Transaction subject to Clearing including floating interest bearing Japanese government bonds or Inflation-Indexed Japanese government bonds, the basis spread by each issue for such issue; the same applies, hereinafter) by each issue ; provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to transaction execution costs.
- (b) The amount equal to adjusted transaction execution costs in this A) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which

Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day valued by the basis point value and the basis spread by each issue; provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to adjusted transaction execution costs.

B) The amount in relation to the Second Required Margin Amount: The amount equal to adjusted transaction execution costs.

(a) The amount equal to the adjusted transaction execution costs in this B), shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day valued by the basis point value and the basis spread by each issue, provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to adjusted transaction execution costs.

C) The amount in relation to the Third Required Margin Amount: The larger of the amount equal to adjustment transaction execution costs or the amount equal to average transaction execution costs.

(a) The amount equal to the adjusted transaction execution costs in this C) shall be the total amount for all issues, of the amount for each issue obtained by summing

each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day valued by the basis point value and the basis spread by each issue, provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to adjusted transaction execution costs.

.(b) The amount equal to average transaction execution costs in this C), shall be the average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) amount equal to average transaction execution costs for calculating the average amount equal to transaction execution costs of the relevant Clearing Participant during a period of one hundred and twenty (120) days ending on the immediately preceding day of the Calculation Day (if such day falls on a holiday, preceding day which is not a holiday).

(Note)1."Amount equal to transaction execution costs for calculating the average amount equal to transaction execution costs" in this Item C)(b) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by a certain day and of which Settlement Day, Etc. arrives on or after the day immediately following such day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on such day and of which Settlement Day, Etc. arrives on or after the day immediately following such day

valued by the basis point value and the basis spread by each issue , provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to transaction execution costs for calculating the average amount equal to transaction execution costs.

2. The provisions in Item (2)C)(b) and (4)C) (b) in the preceding Paragraph shall not apply to the Repo Transactions Only Account as stipulated in Article 86, Paragraph 2, Item (2) of the Business Rules and the provisions in Item (1) C) (a), Item (2) C)(b), Item (3) C) (b) and item(4) C) (b) in the preceding Paragraph shall not apply to the Subsequent Collateral Allocation Repos Only Account as stipulated in Article 86, Paragraph 2, Item (3) of the Business Rules.
3. The market fluctuation risk factor and the setoff ratio as stipulated in Paragraph 1, Item (2) and the Repo Rate Fluctuation Risk Factor stipulated in Paragraph 3 of the said Article as well as the Basis Spread by Each Issue stipulated in Paragraph 3 of the said Article (hereinafter referred to as the "Value designated by JSCC") shall be revised in accordance with the manner stipulated in the each of the following Items and such revision shall be notified to Clearing Participants.
  - (1) The market fluctuation risk factor, the setoff category and the setoff ratio: The revision shall take place on every business day of which following day (if such day falls on a holiday, following day which is not a holiday). the revised Market fluctuation risk factor and Setoff ratio shall start to apply.
  - (2) Repo Rate Fluctuation Risk Factor: The revision shall take place on monthly basis and the revised Repo Rate Fluctuation Risk Factor shall be applied on the fifth (5) day on the relevant month related to the revision (if such day falls on a holiday, following day which is not a holiday).
  - (3) The basis spread by each issue shall be revised upon reporting by a Clearing Participant with the first day of each March, June, September and December as the base day and the revised basis spread by each issue shall be applied on the

fifteenth (15) day on the relevant month related to the revision (if such day falls on a holiday, following day which is not a holiday).

(4) Notwithstanding of the provisions in each of the preceding Items, JSCC may extraordinarily revise the Value Designated by JSCC when it deems necessary.

4. When applying in Appendix the provisions listed in the left column of the following table 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:

Paragraph 1	for each Clearing Participant	for each Netting Account of each Clearing Participant
Paragraph 1, Item (1)	such Clearing Participant	for each Netting Account for such Clearing Participant
Paragraph 1, Item (2)	such Clearing Participant	such Clearing Participant for each Netting Account (for each Netting Account
Paragraph 1, Item (3)	for such Clearing Participant	for each Netting Account of such Clearing Participant
Paragraph 1, Item (4)	for such Clearing Participant	for each Netting Account of such Clearing Participant