

Rules on Required JGB OTC Transaction Clearing Fund Amount

(Article 1 Purpose)

These Rules set forth matters related to the Required JGB OTC Transaction Clearing Fund Amount pursuant to the provisions of Article 70-6 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the "Business Rules").

(Article 2 Required JGB OTC Transaction Clearing Fund Amount)

1. The Required JGB OTC Transaction Clearing Fund Amount for each Clearing Participant, shall be the amount calculated on every business day, for each Clearing Participant pursuant to *Appendix "Table Concerning Calculation of Required JGB OTC Transaction Clearing Fund Amount"* (hereinafter referred to as the "Required JGB OTC Transaction Clearing Fund Base Amount") or ten million (10,000,000) yen, whichever is larger. Provided, however, JSCC may revise Required JGB OTC Transaction Clearing Fund Amount on an ad-hoc basis, in case of a merger of a Clearing Participant or others when it approves as necessary.
2. Notwithstanding the provisions of the preceding Paragraph, the Required JGB OTC Transaction Clearing Fund Amount for an entity which has newly obtained the Clearing Qualification shall be the amount specified by JSCC at each time taking into account the amount obtained by multiplying the sum total of the Risk Amount Exceeding Collateral of the top two (2) Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral set forth in Paragraph 2 of *Appendix "Table Concerning Calculation of Required JGB OTC Transaction Clearing Fund Amount"* by the ratio of the Required Initial Margin Amount prescribed by JSCC pursuant to the provisions of Article 2, Paragraph 3 of the Rules on Required Initial Margin Amount for JGB OTC Transaction to the aggregate amount of the Required Initial Margin Amounts for all Clearing Participants, and such Required JGB OTC Transaction Clearing Fund Amount shall be applied for the period JSCC deems necessary.

(Article 3 Special Rule for Clearing Participant Which Has Multiple Netting Accounts)

1. When applying the provisions of the preceding Article to a Clearing Participant which has multiple Netting Accounts, the terms "for each Clearing Participant" in the said

Article shall be replaced with “for each Netting Account of each Clearing Participant.”

2. 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 the application of these Rules.

Supplementary Provisions

- 1 These 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 these Rules, then these 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 Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

- 1 These revised Rules shall come into effect on May 1, 2018.
- 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 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 Rules shall come into effect on April 1, 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 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 JGB OTC Transaction Clearing Fund Amount*

1. The Required JGB OTC Transaction Clearing Fund Base Amount for each Clearing Participant shall be the “Expected Stressed Loss Share” as of the Calculation Date (referring to the day on which the Required JGB OTC Transaction Clearing Fund Base Amount is calculated; the same applies, hereinafter)

2. “Expected Stressed Loss Share” as stipulated in the preceding Paragraph shall be the amount obtained by prorating the larger amount of (i) the sum total of the Risk Amounts Exceeding Collateral of the top two (2) Clearing Participants (when other Clearing Participant which is an affiliate, etc. (referring to a subsidiary or an affiliate and a parent company of a company and a subsidiary or an affiliate of such parent company; the same applies, hereinafter) exists, including the Risk Amounts Exceeding Collateral of the relevant other Clearing Participants) or (ii) average amount of the sum total of the Risk Amounts Exceeding Collateral of the top two (2) Clearing Participants on the each day during a period of one hundred and twenty (120) days (excluding holidays) ending on the Calculation Day, according to the First Required Margin Amount (referring to the amount as stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction; the same applies, hereinafter) of each Clearing Participant under Paragraph 1 calculated on Calculation Date. For the purpose of this Paragraph, “Risk Amount Exceeding Collateral” means the amount (provided that if such amount is a negative figure, the amount shall be treated as zero (0)) obtained by subtracting smaller of First Required Margin Amount calculated for the relevant Clearing Participant on such date or Initial Margin deposited with JSCC at 7:00 a.m. on the relevant Calculation Date by the relevant Clearing participant from the amount equivalent to stressed risk related to unsettled contracts of the relevant Clearing Participant (referring to the largest amount equal to loss which may be incurred by the relevant Clearing Participant from such unsettled contracts due to extreme fluctuation in yield curve related to the issue subject to clearing adding the amount equal to loss which may be incurred by the relevant Clearing Participant in relation to Fails Charges and expense for procuring funds stipulated in Article 74 of the Business Rules calculated in the method prescribed by JSCC in a notification) as of 7:00 a.m. on the Calculation Date or each day during a period of one hundred and twenty (120) days (excluding holidays) ending on the Calculation Date.

3. When applying the provisions of Paragraph 1 to a Clearing Participant holding multiple Netting Accounts, the term “for each Clearing Participant” in the said Paragraph shall be deemed to be replaced with “for each Netting Account of each Clearing Participant,” and when applying the provisions of the preceding Paragraph to such Clearing Participant, the term “First Required Margin Amount (referring to the amount as stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction; the same applies, hereinafter) of each Clearing Participant” in the said Paragraph shall be deemed to be replaced with “First Required Initial Margin Amount for each Netting Account of each Clearing Participant.”

4. Notwithstanding the provisions in Paragraph 2, in calculating the Risk Amount Exceeding Collateral for a Clearing Participant holding Trust Accounts, such amount shall be calculated separately for Trust Accounts and for Netting Accounts other than Trust Accounts. In such case, the Risk Amount Exceeding Collateral in relation to Netting Accounts related to Trust Accounts of the relevant Clearing Participant shall add neither Risk Amount Exceeding Collateral in relation to Netting Accounts other than Trust Accounts held by the Clearing Participant nor the Risk Amount Exceeding Collateral in relation to other Clearing Participant when other Clearing Participant exists with respect to the relevant Clearing Participant which is an affiliate etc. of the relevant Clearing Participant and the Risk Amount Exceeding Collateral in relation to Netting Accounts other than Trust Accounts of the relevant Clearing Participant shall add neither the Risk Amount Exceeding Collateral in relation to Trust Accounts held by the Clearing Participant nor the Risk Amount Exceeding Collateral in relation to Trust Accounts held by such other Clearing Participant when other Clearing Participant exists with respect to the relevant Clearing Participant which is an affiliate etc. of the relevant Clearing Participant.

5. Notwithstanding the provisions in Paragraph 2, when the other Clearing Participant exists in relation to the relevant Clearing Participant which is an affiliate etc. of the Risk Amount Exceeding Collateral of Clearing Participant not holding Trust Accounts shall not add the Risk Amount Exceeding Collateral in relation to Trust Accounts held by such other Clearing Participant.