

JGB OTC Transaction Management Committee Rules

## (Article 1 Purpose)

The purpose of these JGB OTC Transaction Management Committee Rules (hereinafter referred to as these “Rules”) is to set forth the authority, organisation, manner of appointment of a committee member, procedures for a meeting and other matters necessary for administration of the JGB OTC Transaction Management Committee pursuant to the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the “Business Rules”) established by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”).

## (Article 2 Definitions)

The terms used in these Rules shall have the meanings of the same terms used in the Business Rules unless otherwise specified in these Rules.

## (Article 3 Establishment of JGB OTC Transaction Management Committee)

JSCC shall establish the JGB OTC Transaction Management Committee (hereinafter referred to as the “Committee”) as a permanent advisory committee of the board of directors of JSCC.

## (Article 4 Matters for Consultation)

1 In the case where JSCC intends to make a decision about any of the following matters in addition to those listed in Article 100, Paragraph 1 of the Business Rules, JSCC shall consult with the Committee and respect such opinion; provided that this shall not apply to a decision concerning a minor issue:

- (1) Matters related to rules and operations of JGB OTC Transaction Clearing Business
  - a. Matter concerning addition or change of Transactions Subject to Clearing;
  - b. Modification of the requirement for Clearing Qualification;
  - c. Matters concerning Brokerage for Clearing of Securities, etc.;
  - d. Change in the handling of voluntary renunciation of JGB OTC Transaction Clearing Qualification;
  - e. Change in the handling of Initial Margin and Variation Margin, and JGB OTC Transaction Clearing Fund;
  - f. Change in the handling of measures in case of Settlement Default by Clearing Participants;
  - g. Modification of the standard of the measures to be taken on a Clearing Participant;
  - h. Change in 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 related to the operation of the Default Management Committee;
  - i. Dates and details of the Default Settlement Drills (referring to drills conducted

- to be ready for appropriate and smooth settlement of Positions subject to Default Settlement when JSCC determines a Default, etc. of a Clearing Participant and appropriate and smooth processing of other matters associated with determination of Default, etc.)
- j. Other matters deemed necessary from view point of the rules and operations related to JGB OTC Transaction rules and operations.
- (2) Matters related to management of business divisions involved in JGB OTC Transaction Clearing Business
- a. Matters concerning a business plan in respect of JGB OTC Transaction Clearing Business;
  - b. Distribution of the surplus to the holders of Class D Shares issued by JSCC;
  - c. Designation of candidate for director of JSCC recommended by the Committee;
  - d. Amendment to these Rules;
  - e. Matters concerning fees prescribed in Article 14 of the Business Rules;
  - f. Matters related to JGB OTC Transaction Clearing system; or
  - g. Matters related to management of the Committee.
- 2 JSCC shall consult with the Committee on whether or not the risk management system is implemented in a proper manner regularly at least once a year in addition to those prescribed in the preceding Paragraph.
- 3 In the case where JSCC receives request from two (2) or more members of the Committee (if JSCC deemed it especially necessary in light of the importance of risk management, one (1) or more members of the Committee) on any matter listed in Paragraph 1, Item (1), or from two (2) or more special members of the Committee (if JSCC deemed it especially necessary in light of the importance of risk management, one (1) or more special members of the Committee) on any matter listed in Paragraph 1, Item (2), JSCC shall consult with the Committee on such matter.
- 4 In the case where JSCC does not intend to consult with the Committee due to minor contents of the relevant decision pursuant to the proviso to Paragraph 1 of this Article, JSCC shall notify members of the Committee, with respect to the matters listed in Paragraph 1, Item (1), and special members of the Committee, with respect to the matters listed in Paragraph 1, Item (2), of the details thereof before such decision.
- 5 JSCC shall, if it makes a decision different from the opinion of the Committee, notify members of the Committees, with respect to the matters listed in Paragraph 1, Item (1), and special members of the Committee, with respect to the matters listed in Paragraph 1, Item (2), of the details of such decision and the reason therefor without delay after such decision.

(Article 5 Appointment etc., of Committee Members)

- 1 JSCC shall appoint the persons set forth in each Item below as member of the

Committee.

(1) a Clearing Participant, or

(2) any person who is a holder of Class D Shares issued by JSCC or any person who is a member of the Corporate Group (as such term defined in Article 5, Paragraph 1, Item (2) of the Financial Instruments and Exchange Act; the same applies hereinafter) to which an entity, etc. being a holder of Class D Shares issued by JSCC belongs, and who is not a Clearing Participant set forth in Item (1) but deemed appropriate by the Committee

- 2 Out of the members of the Committee, JSCC shall appoint such persons who, together with persons included in the Corporate Group to which it belongs, hold total of 242 or more shares of Class D Shares as special members of the Committee; provided, however, that if multiple Clearing Participants (limited to those, together with persons included in the Corporate Group to which it belongs, holding total of 242 or more shares of Class D Shares issued by JSCC) are included in the same Corporate Group, one Clearing Participant designated by such multiple Clearing Participants shall be appointed as the special member of the Committee.
- 3 In the case of the determination of the Default, etc. of a member of the Committee, in the event that any member of the Committee no longer falls under either of the categories set forth in each Item of Paragraph 1, or in the event that any member of the Committee has been ordered suspension of operation of business or received rectification order or become subject to any other administrative disposition (all limited only to those related to an JGB OTC Transaction Clearing Business) by an administrative agency or any self-regulatory organisation or has violated the Business Rules, etc. and JSCC takes any of the actions set forth in Paragraph 1 or Paragraph 2 of Article 28 of the Business Rules, and in either case if JSCC deems such member of the Committee inappropriate as a member of the Committee, JSCC may cancel the appointment of the relevant member of the Committee by showing the reason of the cancellation. In this case, JSCC shall reappoint the relevant member of the Committee as a member of the Committee when it acknowledges that the reason of the cancellation of the appointment ceases to exist.
- 4 If any special member of the Committee has its appointment as the member of the Committee cancelled pursuant to the provisions of the immediately preceding Paragraph or no longer falls under the provisions set forth in Paragraph 2, JSCC may cancel the appointment as special member of the Committee by showing the reason of the cancellation. In this case, JSCC shall reappoint the relevant person as a special member of the Committee when it acknowledges that the reason of the cancellation of the appointment ceases to exist.
- 5 When JSCC intends to cancel appointment of any member of the Committee as set forth in the Paragraph 3 (excluding those due to Default, etc. of such member of the Committee having been determined or such member of the Committee no longer falling under either of the categories set forth in each Item of Paragraph 1), JSCC shall consult with the Disciplinary Measures Assessment Committee in advance as to whether or not the

cancellation is appropriate, and respect its opinions.

6 The Committee shall have a chairperson who shall be appointed from among special members of the Committee by mutual vote.

7 The term of office of chairperson shall be one (1) year.

8 In cases where a chairperson is removed from a special member of the Committee pursuant to Paragraph 4 of this Article, JSCC shall appoint a new chairperson.

(Article 6 Notification, etc. of Representative of Committee Member)

1 A member or a special member of the Committee shall notify with JSCC of at least one (1) person who has expertise in trading practice of JGB OTC Transactions and acting as a representative or an agent of the member or the special member of the Committee in respect of the duties as a member or a special member of the Committee from among officers and employees of the member of the Committee, the special member of the Committee or any other entity, etc. included in the Corporate Group including the member or the special member of the Committee as a representative or an agent of the member of the Committee (hereinafter referred to as the "Representative of Committee Member") or a representative or an agent of the special member of the Committee (hereinafter referred to as the "Representative of Special Committee Member") in the written form prescribed by JSCC immediately after the appointment thereof.

2 When a member or a special member of the Committee changes its Representative of Committee Member or Representative of Special Committee Member, it shall notify with JSCC of a new Representative of Committee Member or a new Representative of Special Committee Member in the written form prescribed by JSCC.

(Article 7 Obligations of Committee Members, etc.)

1 A member and a special member of the Committee and a Representative of Committee Member and a Representative of Special Committee Member (including a person who once was a member or a special member of the Committee or Representative of Committee Member or Representative of Special Committee Member) shall keep confidentiality of information (meaning the fact which is not known to the public and entails objectively reasonable interests for not being known to others) obtained in the performance of their duties and, except the cases prescribed in the following Items or without any other justifiable grounds, may not use for any purposes other than performance of duties as member or special member of the Committee or divulge to a third party (including any Legal Entity, etc. to which he or she belongs) any such confidential information:

- (1) when JSCC's written consent is obtained in advance;
- (2) when it is required to disclose or provide such confidential information pursuant to orders or requests from courts, supervisory authorities or other public institutions,

- financial instruments exchanges or other self-regulatory organisations, or provisions of laws and regulations;
- (3) when it is necessary to perform the duties as member or special member of the Committee; or
  - (4) when such information is disclosed or provided to professional advisors such as lawyers, certified public accountants or licensed tax accountants or other entity included in the Corporate Group including the member or the special member of the Committee only to the extent that it is necessary to do so for the performance of their obligations under these Rules or the Business Rules, etc., management or supervision within the Corporate Group to which they belong, or preservation or exercise of their rights or rights of any other Legal Entity, etc. which is a member of the Corporate Group to which they belong (provided that disclosure or provision to any person other than those bound by confidentiality obligation imposed upon by law may only be made after binding such person to the same confidentiality obligation as set forth in this Paragraph).
- 2 When JSCC receives a notification of a Representative of Committee Member or a Representative of Special Committee Member pursuant to the immediately preceding Article, it shall make the Representative of Committee Member or the Representative of Special Committee Member submit a written pledge prescribed by JSCC to the effect that it shall comply with the obligations prescribed in the preceding Paragraph of this Article.
- (Article 8 Convocation of Meetings)
- 1 A meeting of the Committee shall be convened by the decision of the Director and President of JSCC provided, however, that it shall not preclude the convocation of a meeting by a resolution of the board of directors' meeting of JSCC.
- 2 When JSCC intends to convene a meeting of the Committee, JSCC shall notify members and special members of the Committee of the date, venue, items of agenda and other necessary matters in advance, provided, however, this shall not apply to the cases where JSCC deems that there is a particularly urgent need.
- 3 In the case a Representative of Committee Member or a Representative of Special Committee Member is unable to attend a committee meeting due to unavoidable reasons, such Representative of Committee Member or Representative of Special Committee Member may have a person belonging to the Clearing Participant to which he or she belongs or other entity, etc. included the Corporate Group including such Clearing Participant may attend the committee meeting as a proxy.
- 4 Where JSCC deems it necessary, a meeting may be held via telephone or other means, or a member of the Committee may attend a meeting via telephone or other means.
- 5 In addition to the preceding Paragraph, a resolution may be adopted in writing in lieu of holding a meeting of the Committee where JSCC deems it necessary.

6 JSCC shall hold a committee meeting at least quarterly in principle (including the resolutions made in writing pursuant to the preceding Paragraph).

(Article 9 Method of Resolution)

1 A committee meeting may not start proceedings unless at least such number of the members or the special members of the Committee as prescribed in each of the following Items according to the classification of matters to be consulted listed in each of the following Items are in attendance:

(1) Matters listed in Article 4, Paragraph 1, Item (1):

Attendance of at least one half of the members (excluding members of the Committee who are not able to participate in deliberation at the meeting pursuant to the provisions of Paragraph 4, the same applies in the immediately following Paragraph); and

(2) Matters listed in Article 4, Paragraph 1, Item (2):

Attendance of at least one half of the special members (excluding special members of the Committee who are not able to participate in deliberation at the meeting pursuant to the provisions of Paragraph 4, the same applies in the immediately following Paragraph).

2 The chairperson shall make an effort so that the resolution on the subject matters may be adopted unanimously by all the attending members or special members of the Committee.

3 In the proceedings of the Committee, the majority of vote of attending members, with respect to the matters listed in Article 4, Paragraph 1, Item (1), and the majority vote of attending special members, with respect to the matters listed in Item (2) of the said Paragraph, is required to pass a resolution.

4 A member or a special member of the Committee may not participate in deliberations on the matter in which such member or special member of the Committee has special interests.

(Article 10 Report to Board of Directors of JSCC)

The chairperson shall report to the board of directors of JSCC the resolutions and any other details of the deliberation in the Committee on the matters for consultation.

(Article 11 Organiser)

1 The organiser of the Committee shall be JSCC and an executive officer of JSCC shall act as such organiser.

2 The organiser shall be engaged in the support of member and special member of the Committee, administrative communication, the assistance of operation of meetings, the preservation of records and other operational works of the Committee.

(Article 12 Delegation)

Matters necessary for administration of the Committee other than those prescribed in these Rules shall be prescribed by the Committee on a case-by-case basis.

Supplementary Provisions

- 1 These Rules shall come into effect on October 1, 2013.
- 2 Japan Exchange Group, Inc. (or if it designates an entity, etc. included in the Corporate Group it belongs, then such entity, etc.) shall, notwithstanding the provisions of Article 5, Paragraph 1, Item (2) of these Rules, be deemed to be appointed as member of the Committee on the day these Rules come into effect.
- 3 In the stock swap pursuant to the provisions of Stock Swap Agreement executed between JSCC and Japan Government Bond Clearing Corporation as of June 25, 2013, any person who, together with persons included in the Corporate Group it belongs, receives delivery of, and holds, total of 241 shares of Class D Shares issued by JSCC due to disposition of fraction of less than one share shall be deemed to be “persons who, together with persons included in the Corporate Group to which it belongs, hold total of 242 or more shares of Class D Shares” as set forth in Article 5, Paragraph 2.

Supplementary Provisions

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

Supplementary Provisions

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