

Handling of Net Out Ratio related to Intermediary Service Provider Special Participant

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Japan Securities Clearing Corporation

With respect to a Clearing Participant (hereinafter referred to as the “Intermediary Service Provider Special Participant”) which has obtained JGB OTC Transaction Clearing Qualification through the application stipulated in Article 6, Paragraph 3 of the Japanese Government Bond Over-the-Counter Transaction Business Rules (hereinafter referred to as the “Business Rules”), detailed handling upon suspension of assumption of all or part of the obligations set forth in Article 28, Paragraph 10 of the Business Rules shall be as outlined below:

Item	Detail	Remarks
1. Outline of Measures	<ul style="list-style-type: none"> When a ratio of netting out obligations owed by JSCC through an assumption of obligations in respect of an Intermediary Service Provider Special Participant (hereinafter referred to as the “Net Out Ratio”) is less than the ratio as prescribed by JSCC (90%), JSCC may conduct a hearing for such Intermediary Service Provider Special Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Intermediary Service Provider Special Participant is a party. 	<ul style="list-style-type: none"> Article 28, Paragraph 10 of the Business Rules
2. Method of Confirmation of Net Out Ratio	<ul style="list-style-type: none"> Once a month, JSCC will calculate the Net Out Ratio of an Intermediary Service Provider Special Participant, and, based on such Net Out Ratio, check to see if obligations are netted out at a rate not less than the ratio prescribed by JSCC (90%). Net Out Ratio shall be obtained by using following formula: <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> $\text{Net Out Ratio (\%)} = (X / Y) \times 100$ </div> <p>X = Out of Y, the total amount of obligations in transactions to which the</p> 	<ul style="list-style-type: none"> If JSCC deems it necessary, JSCC may calculate the ratio for the past one month period preceding the date prescribed by JSCC, and, based on the ratio so calculated, check to see if obligations are netted out at a rate not less than the

[REFERENCE TRANSLATION]

Item	Detail	Remarks
	<p>Intermediary Service Provider Special Participant is a seller (short) and transactions to which it is a buyer (long), wherein all the conditions of the issue, amount, settlement date, etc. and date of assumption of obligation of short transactions and long transactions are the same;</p> <p>Y = Total amount of obligations JSCC assumed from such Intermediary Service Provider Special Participant during the month immediately preceding the month of calculation.</p>	<p>ratio prescribed by JSCC.</p>

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