Market Price Fluctuation Risk Factor and, Setoff Categories related to JGB OTC Transaction

October 1, 2013

Amended on March 24, 2014

Amended on October 14, 2014

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Amended on April 22, 2019

Amended on December 18, 2023

Japan Securities Clearing Corporation

- 1. Establishment of Market Price Fluctuation Risk Factor (Paragraph 1, Item (2) (Note)1, and Paragraph 3, Item (1) of Appendix to Rules on Required Initial Margin Amount related to JGB OTC Transaction)
 - (1) Market Price Fluctuation Risk Factor Classifications

Market Price Fluctuation Risk Factor shall be established according to the following classifications.

Issue Category	Setoff Class	Remaining Years to Maturity (more than *, up to *)	Market Price Fluctuation Risk Factor
		0 - 0.25	
	A	0.25 - 0.5	
		0.5 - 1	
		1 - 2	
Discount	В	2 - 4	
Japanese	C	4 - 5	
Government	0	5 - 7	
Bonds	D	7 - 10	
	E	10 - 15	
		15 - 20	
	F	20 - 30	
	G	30 - 41	
	A	0 - 0.25	
		0.25 - 0.5	
		0.5 - 1	
Interest-Bearing		1 - 2	
Japanese	В	2 - 4	
Government	C	4 - 5	
Bonds	5	5 - 7	
	D	7 - 10	
	E	10 - 15	
	Ē	15 - 20	

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	F	20 - 30				
	G	30 - 41				
		0 - 0.25				
	А	0.25 - 0.5				
		0.5 - 1				
Floating Rate		1 - 2				
Japanese	В	2 - 4				
Government	C	4 - 5				
Bonds	C	5 - 7				
	D	7 - 10				
	E	10 - 15				
		15 - 20				
Inflation-Indexed Japanese Government Bonds	A	0 - 0.25				
		0.25 - 0.5				
		0.5 - 1				
		1 - 2				
	В	2 - 4				
	0	4 - 5				
	C	5 - 7				
	D	7 - 10				
	E	10 - 15				
		15 - 20				

(2) Calculated Value of Market Price Fluctuation Risk Factor

Calculated value of Market Price Fluctuation Risk Factor shall be the largestof the value as calculated by JSCC, as the level to cover 99% one-sided confidence level (2.33 σ) of 3-day fluctuation (calculated based on Moving-Window method) of the daily market price (based on reference statistical prices published by the Japan Securities Dealers Association; the same applies hereinafter) by each issue on each day during the period of past 250-day period (excluding holidays: the same applies to day count calculation hereinafter), 500-day period or past 1,250-day period (hereinafter collectively referred to as "Normal Observation Period"), each period including a stressed day (in case of Inflation-Indexed Japanese Government Bonds, the level as calculated by JSCC, as the level to cover 3-day fluctuation of Indexation Coefficient on each day shall be added).

Stressed day shall be the day with the largest 3-day fluctuation of the daily market price by each issue on each day during the period prior to Normal Observation Period, separately determined by JSCC.

(3) Determination Method of Market Price Fluctuation Risk Factor

The largest value obtained from calculation of Market Price Fluctuation Risk Factor for each issue falling under the issue category, setoff class and remaining years to maturity shall be the Market Price Fluctuation Risk Factor for the relevant issue category, setoff class and remaining years to maturity. For remaining years to maturity for which value cannot be obtained, the value calculated for longer remaining years to maturity shall be

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used (or, if there is no value calculated for longer remaining years to maturity, the value obtained for a shorter remaining years to maturity). However, if calculated value is less than 0.1, Market Price Fluctuation Risk Factor shall be 0.1.

- 2. Establishment of Setoff Category and Setoff Ratio (Paragraph 1, Item (2), and Paragraph 3, Item (1) of Appendix to Rules on Required Initial Margin Amount related to JGB OTC Transaction)
 - (1) Classification of Setoff Category and Setoff Ratio
 - Setoff Ratio shall be established for each of below-listed Setoff Categories

Setoff Class								
	Remaining Years to Maturity	А	В	С	D	Е	F	G
	(more than *, up to *)							
Α	0-2				_			—
В	2 - 4				—	-	-	—
С	4 - 7				—			—
D	7 - 10					-	-	—
E	10 - 20						_	—
F	20 - 30							—
G	30 - 41							

A) Discount Japanese government bonds

B) Interest-Bearing Japanese government bonds

Setoff Class								
	Remaining Years to Maturity (more than *, up to *)	A	В	С	D	Е	F	G
Α	0 - 2		_	—	_	_	_	_
В	2 - 4			—	—	_	_	_
С	4 - 7				—	_	_	_
D	7 - 10							_
Е	10 - 20							_
F	20 - 30							
G	30 - 41							

C) Floating Rate Japanese government bonds

Setoff Class						
	Remaining Years to		B	C	П	F
	Maturity	~	Ъ	Ŭ	U	Ŀ
	(more than *, up to *)					
Α	0-2		_	_		
В	2 - 4			_		
С	4 - 7					
D	7 - 10					
Е	10 - 20					
				3		

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Setoff Class							
	Remaining Years to Maturity	А	В	С	D	Е	
	(more than *, up to *)						
Α	0-2		_	_			
В	2 - 4			—			
С	4 - 7				-	-	
D	7 - 10					—	
E	10 - 20						

D) Inflation-Indexed Japanese government bonds

(2) Setoff Ratio Setting Method

A) Setoff Ratio within Same Setoff Class

With respect to the issue with the longest remaining years to maturity and the issue with the shortest remaining years to maturity within the same Setoff Class, the Setoff Ratio shall be the value obtained by multiplying the correlation coefficient (discarding the fractions of the calculated value at the interval of five hundredths (0.05)) obtained based on the daily market price for each issue for the past one hundred and twenty (120) days by 100. If the value so obtained is equal to or less than zero (0) or the correlation coefficient cannot be obtained, the Setoff Ratio shall be zero (0).

B) Setoff Ratio between Different Setoff Classes

With respect to the issue with the shortest remaining years to maturity within the class with the shorter remaining years to maturity and the issue with the longest remaining years to maturity within the class with the longer remaining years to maturity, the Setoff Ratio shall be the value obtained by multiplying the correlation coefficient (discarding the fractions of the calculated value at the interval of five hundredths (0.05)) obtained based on the daily market prices for the past one hundred and twenty (120) days by 100. If the value obtained as the Setoff Ratio between adjacent Setoff Classes that are one (1) class apart is less than eighty (80), or in the case of Setoff Classes that are two (2) or more classes apart, the Setoff Ratio shall be zero.

End of Document

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