

## Handling Procedures of Interest Rate Swap Business Rules

Original Document Title : 金利スワップ取引清算業務に関する業務方法書の取扱い

Note : JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English translation, the original Japanese document will prevail.

(\*) Please note that this does not apply to Exhibit Forms 3-2 and 4-2, for which the original version is English.

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## **Chapter 1 General Provisions (Articles 1 - 13)**

### **Article 1. Purpose**

The purpose of these Handling Procedures of Interest Rate Swap Business Rules ("IRS Procedures") is to stipulate the matters to be prescribed by JSCC pursuant to the Interest Rate Swap Clearing Business Rules ("Business Rules") established by Japan Securities Clearing Corporation ("JSCC").

### **Article 2. Definitions**

Unless otherwise set forth herein, the terms used in these IRS Procedures shall have the meanings used in the Business Rules. In addition, the following terms shall have the meanings defined below:

- (1) "Upfront Fee" means the Cash other than Fixed Rates and Floating Rates that is due pursuant to the agreement between the parties upon execution of an IRS Transaction ;
- (2) "IRS Clearing System" means the system used for exchange of information between JSCC and Clearing Participants in respect of the IRS Clearing Business;
- (2)-2 "CFTC Regulation" means Code of Federal Regulations TITLE 17 Commodity and Securities Exchanges CHAPTER I COMMODITY FUTURES AND TRADING COMMISSION;
- (3) "Additional Required Initial Margin" means the amount to be added to Required Initial Margin when JSCC increases a Clearing Participant's Required Initial Margin in accordance with the Rules;
- (4) "Backload Transaction" means an Eligible IRS Transaction applied for Clearing by a Clearing Participant to JSCC during a period from 7:00 p.m. through 8:00 p.m. on a JSCC Business Day whose trade date is 10 JSCC Business Days preceding the date of such application or earlier.
- (4)-2 "Package Trade" means, when a Clearing Participant applies for Clearing of a voluntary combination of multiple Eligible IRS Transactions in bulk, the group of relevant Eligible IRS Transactions.
- (5) "2000 ISDA Definitions" means the 2000 ISDA Definitions published by ISDA in 2000, including changes, amendments, or supplements published by ISDA in

writing, but excluding those specified by JSCC in a public notice.

- (5)-2 "2006 ISDA Definitions" means the 2006 ISDA Definitions published by ISDA in 2007, including changes, amendments, or supplements published by ISDA in writing, but excluding those specified by JSCC in a public notice.
- (6) "Contract Month Contract" means a contract for a contract month set forth in Article 73-6.1 of the Securities and Similar Contracts Business Rules.
- (7) "Settlement Price" means the settlement price of JGB Futures Contract and Interest Rate Futures Contract set forth in Article 73-7 of the Securities and Similar Contracts Business Rules;
- (8) "Large JGB Futures Contract" means a Physically-delivered Futures Contract set forth in Article 73-11 of the Securities and Similar Contracts Business Rules;
- (9) "Mini JGB Futures Contract" means a Cash-settled JGB Futures Contract (referring to the cash-settled futures contracts related to JGB Futures Contract prescribed by the Designated Market Operator).

#### Article 2-2. Currency Designated by JSCC

The currency designated by JSCC under Article 2.1.(1)-2, (11), (50) and (55) of the Business Rules shall be United States dollars.

#### Article 3. Form of Guarantee

The form prescribed under Article 2.1.(4) and Article 8.5 of the Business Rules shall be the form attached hereto as Exhibit Form 1.

#### Article 3-2. JGB Futures Contracts and Interest Rate Futures Contracts Eligible to be Covered under Cross Margining

JGB Futures Contracts and Interest Rate Futures Contracts to be prescribed by JSCC under Article 2.1.(13)-5 of the Business Rules shall be the following:

- (1) Contract Month Contract of Large JGB Futures Contract of which the last trading day arrives the earliest and Contract Month Contract of Large JGB Futures Contract of which last trading day arrives the next; provided that if the last trading day arrives within 3 JSCC Business Days, such Contract Month Contract shall not be eligible for cross margining;
- (2) Contract Month Contract of Mini JGB Futures Contract whose last trading day arrives in the same month as the Large JGB Futures Contract set forth in Item (1); provided that if the last trading day arrives within 2 JSCC Business days, such Mini JGB Futures Contract shall not be eligible for cross margining. and

- (3) Contract Month Contract of Interest Rate Futures Contract designated by JSCC in the public notice.

Article 3-3. Designated Market Operator

The Designated Market Operator to be designated by JSCC under Article 2.1.(23)-2 of the Business Rules shall be Osaka Exchange, Inc.

Article 4. Method of Calculation of Net Present Value

The method prescribed under Article 2.1.(26) of the Business Rules shall be prescribed by JSCC in a public notice.

Article 5. Customer

For the purpose of Article 2.1.(27) of the Business Rules, a Customer shall be a user of either the affirmation method prescribed by JSCC in a notification or a public notice, or an electronic trading platform, as described in Article 27.1.(2).

Article 5-2. Outsourcing Participation in Default Settlement Procedures

- 1 The qualifications prescribed under Article 9.1.(3).b. of the Business Rules shall be that such person is a Clearing Participant.
- 2 When a participation in the procedures for the liquidation of a defaulting Clearing Participant's Cleared Contracts is outsourced pursuant to Article 9.1.(3).b. of the Business Rules, the outsourcee shall participate in the Default Auction, and if it has made successful bid on the Auction Transactions therein, shall execute such Auction Transactions on behalf of the outsourcer.
- 3 The agreement concerning the outsourcing set forth in Paragraph 2 shall provide for matters concerning the participation by the outsourcee in the default settlement drill set forth in Article 9.1 of the IRS Default Management Committee Rules, the method for avoiding conflict of interests, the confidentiality regarding the default settlement procedures in respect of a Defaulting Clearing Participant, and the outsourcee's agreement to comply with the provisions of the Rules relating to such procedures, and any other matters specified by JSCC on a case-by-case basis in connection with such procedures. The "confidentiality" referred to above shall mean to keep confidential facts that are not otherwise available to general public and may have significant commercial impact.
- 4 Participation in default settlement procedures may not be outsourced to any person who has already become the outsourcee for another Clearing Participant.

Article 5-3. Procedures for Changing Default Settlement Procedures Participation Outsourcing

- 1 A Clearing Participant which no longer desires to outsource its participation in default

settlement procedures shall submit to JSCC a document evidencing its business capability required under Article 9.1.(3).b. of the Business Rules in the form prescribed by JSCC, and must obtain prior approval of JSCC.

- 2 A Clearing Participant which desires to outsource its participation in default settlement procedures shall submit to JSCC a document stating the name of the person to which the participation in the default settlement procedures is outsourced and evidencing that such proposed outsourcee has the business capability required under Article 9.1.(3).b. of the Business Rules, and an agreement concerning such outsourcing, in advance, and must obtain prior approval of JSCC.
- 3 When an agreement concerning the outsourcing of participation in default settlement procedures has been terminated without approval from JSCC, as set forth in Paragraph 1 of this Article, the Clearing Participant that has outsourced its participation in default settlement procedures shall inform JSCC of that fact in writing in the form prescribed by JSCC.

#### Article 6. Clearing Participant Agreement

The form prescribed under in Article 2.1.(30) and Article 11 of the Business Rules shall be the form attached hereto as Exhibit Form 2.

#### Article 7. Clearing Brokerage Agreement

- 1 The form prescribed under Article 2.1.(31) of the Business Rules shall be the form attached hereto as Exhibit Form 3 or Exhibit Form 3-2.
- 2 When JSCC intends to make an amendment to Exhibit Form 3 or Exhibit Form 3-2, it shall notify details of such amendment to Clearing Participants at least one month prior to the effective date of such amendment; provided that if such amendment does not affect the claims or obligations of Clearing Participants and Customers or if it is immaterial, such notice may be given promptly after such amendment.
- 3 Upon receipt of the notification from JSCC as to an amendment to the provisions of Exhibit Form 3 or Exhibit Form 3-2 pursuant to the provisions of Paragraph 2, Clearing Participants shall promptly notify details of such amendment to their Customers with whom they have concluded the Clearing Brokerage Agreement.
- 4 When JSCC has amended provisions of Exhibit Form 3 or Exhibit Form 3-2, the Clearing Brokerage Agreements that have already been concluded shall be amended as a matter of course according to such amended provisions of Exhibit Form 3 and Exhibit Form 3-2 as of the effective date of such amendment.

#### Article 8. Types of Eligible Securities Collateral

- 1 The securities specified under Article 2.1.(45) of the Business Rules shall be as follows:

(1) Japanese Government Bonds; and

(2) United States Treasury Security.

2 Notwithstanding the provisions of Paragraph 1 above, the securities prescribed in Article 2.1.(45) of the Business Rules shall not be specified for Initial Margin to be deposited as Customer Buffer.

Article 9. Requirements of Eligible IRS Transaction

The requirements prescribed under Article 2.1.(47) of the Business Rules shall be all of the following, or, in respect of the IRS Transactions between Clearing Brokers executed for Clearing Brokerage and the Hedge Transactions, all of the following requirements except for Items (1); provided, however, that a handling of the matters listed in Item (5).

e. to g. shall be prescribed by JSCC in a public notice:

(1) It shall be an IRS Transaction governed by the ISDA Definitions, the 2006 ISDA Definitions or the 2000 ISDA Definitions;

(2) Deleted;

(3) Both of the Clearing Participants that are the parties to the IRS Transaction shall have requested Clearing for such IRS Transaction to JSCC pursuant to Article 48 of the Business Rules ;

(4) The transaction involves an exchange of a fixed rate and a floating rate or an exchange of a floating rate and another floating rate;

(5) The Floating Rate Option is any of those listed in a. to g. below, with the Designated Maturity specified in such sub-item:

- a. JPY-TIBOR with Designated Maturity of 1 month, 3 months or 6 months;
- b. JPY-TONA-OIS Compound with Designated Maturity of one day;
- c. JPY-TIBOR-17097 with Designated Maturity of 1 month, 3 months or 6 months;
- d. JPY-TONA-OIS-COMPOUND with Designated Maturity of one day;
- e. USD-LIBOR-BBA with Designated Maturity of 1 month, 3 months or 6 months;
- f. EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters with Designated Maturity of 3 months or 6 months; or
- g. AUD-BBR-BBSW with Designated Maturity of 3 months or 6 months;

(6) Deleted;

- (7) The Notional Amount and the settlement currency of the IRS Transaction shall be the currency specified in below items by each of below-listed Floating Rate Options:
- a. For JPY-TIBOR, JPY-TONA-OIS Compound, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: Japanese yen;
  - b. For USD-LIBOR-BBA: United States dollars;
  - c. For EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters: Euro; and
  - d. For AUD-BBR-BBSW: Australian dollars.
- (8) The Term shall be not less than the number of days specified in a. and b. below in respect of each Floating Rate Option:
- a. JPY-TONA-OIS Compound or JPY-TONA-OIS-COMPOUND: 7 days;
  - b. All other Floating Rate Options: 28 days;
- (9) The remaining period to the Termination Date as of the date Clearing is requested shall be the period specified in a. to d. below:
- a. IRS Transaction referencing AUD-BBR-BBSW:  
Not less than 3 days and not more than 3,666 days;
  - b. IRS Transaction referencing EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters:  
Not less than 3 days and not more than 7,318 days
  - c. IRS Transaction referencing JPY-TIBOR, JPY-TIBOR-17097 or USD-LIBOR-BBA but does not qualify b. above:  
Not less than 3 days and not more than 10,971 days
  - d. IRS Transaction other than those qualifying any of a. through c. above:  
Not less than 3 days and not more than 14,623 days;
- (10) The Notional Amount of the IRS Transaction is constant throughout the Term, or has feature of periodic step-down or step-up, wherein the method of such periodic step-down or step-up is agreed at the execution of the IRS Transaction and will not be changed during the term of such IRS Transaction, and the Notional Amount satisfies the following criteria according to Floating Rate Option of the IRS Transaction;
- a. For IRS Transaction referencing JPY-TIBOR, JPY-TONA OIS Compound, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: 1 JPY or more and up to 4 trillion JPY (4,000,000,000,000 JPY) without any fraction less than 1 JPY;
  - b. For IRS Transaction referencing USD-LIBOR-BBA, EUR-EURIBOR-Telerate, EUR-EURIBOR-Reuters or AUD-BBR-BBSW: One hundredth of the currency unit or more and less than 4 trillion currency unit of the currency of denomination

of the IRS Transaction without any fraction less than 2 decimal places. ;

- (11) The Day Count Fraction is those set forth in Section 4.6.1 (ii) through Section 4.6.1(viii) of the ISDA Definitions, those set forth in Section 4.16(b) through Section 4.16(h) of the 2006 ISDA Definitions or those set forth in Article 4.16(b) through Article 4.16(f) of Annex to the 2000 ISDA Definitions;
- (12) The Business Day Convention shall be Following Business Day Convention, Modified Following Business Day Convention or Preceding Business Day Convention;
- (13) As Business Day applicable to the Payment Date, below listed city, which may be other than Tokyo, or Settlement Day is designated for below-listed Floating Rate Option:
  - a. IRS Transaction referencing JPY-TIBOR, JPY-TONA-OIS Compound, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: Tokyo
  - b. IRS Transaction referencing USD-LIBOR-BBA: New York
  - c. IRS Transaction referencing EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters: TARGET Settlement Day
  - d. IRS Transaction referencing AUD-BBR-BBSW: Sydney.
- (14) As Business Day applicable to the Reset Date, below listed city, which may be other than Tokyo, or Settlement Day is designated for below-listed Floating Rate Option:
  - a. IRS Transaction referencing JPY-TIBOR, JPY-TONA-OIS Compound, JPY-TIBOR-17097 or JPY-TONA-OIS-COMPOUND: Tokyo
  - b. IRS Transaction referencing EUR-EURIBOR-Telerate or EUR-EURIBOR-Reuters: TARGET Settlement Day
  - c. IRS Transaction referencing AUD-BBR-BBSW: Sydney
  - d. IRS Transaction referencing USD-LIBOR-BBA: London
- (15) In addition to those set forth above, it shall be an IRS Transaction which satisfies any other requirements prescribed by JSCC in a public notice.

Article 10. Designation of Documents Setting Forth Handling of ISDA-Based Documents

The documents prescribed under Article 2.1.(70) of the Business Rules shall be the documents designated by JSCC in a notification to Clearing Participants or a public notice in respect of the below listed matters pursuant to the relevant provisions of these IRS Procedures below:

- (1) Article 29.2.(1): Matters deemed to have been set forth in Schedule defined in the ISDA Master Agreement; and



- (2) Article 29.2.(2): Matters concerning the replacement of words in the provisions of the ISDA Master Agreement and the ISDA Definitions which are necessary for the application thereof to Cleared Contracts.

Article 11. Designation by JSCC in respect of Changes, Amendments, or Supplements of ISDA Definitions

Changes, amendments, or supplements to the 2021 ISDA Interest Rate Derivatives Definitions specified under Article 2.1.(72) of the Business Rules shall be changes, amendments, or supplements published by ISDA, unless specifically excluded by JSCC in a public notice.

Article 12. Measures to Let Clearing Participant or Customer Know Declaration of Intent

The method prescribed under Article 6.2 of the Business Rules shall be a notification by JSCC via the IRS Clearing System.

Article 13. Eligible Securities Collateral

- 1 The prices used to determine the value of Eligible Securities Collateral specified under Article 7.1 of the Business Rules shall be the market price listed in the column under "Market Price" multiplied by the rate listed in the column under "Market Price Multiplier" according to the classification of securities listed in the column under "Type of Eligible Securities Collateral" in Appendix 1 hereto.

The prices used to determine the value of Eligible Securities Collateral deposited as Customer Initial Margin shall be the values agreed between the Clearing Broker and the Customer, provided that such price shall not exceed the price obtained as above.

- 2 The manner of deposit of Eligible Securities Collateral and other necessary matters in respect of Eligible Securities Collateral set forth in Article 7.2 of the Business Rules shall be as follows:

- (1) Manner of deposit and other handling of Japanese Government Bonds
- a. Where a Clearing Participant deposits Japanese Government Bonds with JSCC as Eligible Securities Collateral, whether for itself or as agent for a Customer, the Clearing Participant shall deposit such securities through a book-entry transfer to the account in the name of JSCC opened with the Bank of Japan under the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001) using the Bank of Japan financial network system ("BOJ-NET");
  - b. A Clearing Participant may deposit or withdraw the Japanese Government Bonds set forth in Item (1).a. above through its agent, if the Clearing Participant has submitted to JSCC a document stating the matters required by JSCC and obtained the prior approval of JSCC. In this case, such

deposit and withdrawal shall be carried out through the account in the name of the agent opened with the Bank of Japan or Participant in the JGB Book-Entry System.

- (2) Manner of deposit and other handling of United States Treasury Security
- a. If a Clearing Participant desires to deposit United States Treasury Security ("US Treasuries") with JSCC as Eligible Securities Collateral, whether for itself or as agent for a Customer, it must obtain JSCC's prior consent at each time in the manner specified in a notification;
  - b. Where a Clearing Participant deposits US Treasuries with JSCC pursuant to a. above, the Clearing Participant shall transfer the US Treasuries to the account in the name of JSCC opened with a bank located in New York City, New York, the United States of America by 2:00 p.m. (Eastern Standard Time) on the day immediately preceding the day on which such deposit is to be made, and shall notify JSCC of such transfer by 4:00 p.m. on the date of the book-entry transfer. In such case, unless the transfer is made within the same bank, the book-entry transfer shall be carried out through the Federal Reserve Communications System in the United States of America;
  - c. When a Clearing Participant requests withdrawal of US Treasuries deposited as Eligible Securities Collateral, for itself or as agent for a Customer, the Clearing Participant shall notify such request to JSCC by 11:00 a.m. on the date of requested withdrawal;
  - d. A Clearing Participant may use its agent for such deposit or withdrawal of the US Treasuries set forth in Item (2).a. through c. above if the Clearing Participant submits to JSCC a document stating the matters required by JSCC and obtains the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent.
- (3) Liquidation
- If:
- a. JSCC has determined that a Clearing Participant is in Default;
  - b. JSCC has determined the Failure of Settlement of a Clearing Participant;
  - c. JSCC uses the IRS Clearing Fund deposited with JSCC by a Clearing Participant in accordance with Article 103.1 or Article 110.1 of the Business Rules; or

- d. The due date for the performance of the obligations of a Clearing Participant to JSCC is accelerated or arrives,

JSCC may liquidate the Eligible Securities Collateral deposited with JSCC by the Clearing Participant or a Customer as it deems appropriate, convert the liquidation proceeds of Eligible Securities Collateral into another currency or liquidate Eligible Securities Collateral in another currency, or directly exercise the rights in such Eligible Securities Collateral, and may apply the proceeds remaining after the payment of the expenses of such liquidation to the performance of the obligation of such Clearing Participant to JSCC or to the recovery of the loss pursuant to Article 103.1 or Article 110.1 of the Business Rules

- (4) Application of Item (3) to Eligible Securities Collateral deposited as Customer Initial Margin:  
The provisions of Item (3) above shall apply *mutatis mutandis* to Eligible Securities Collateral deposited with a Clearing Broker by a Customer as Customer Initial Margin.

## **Chapter 2 Clearing Participant (Article 14 - 25)**

### Article 14. Application for IRS Clearing Qualification

- 1 When applying for IRS Clearing Qualification as set forth in Article 8.1 or 8.3 of the Business Rules, an Applicant shall submit to JSCC an application form prescribed by JSCC stating the following items:

- (1) Trading name or company name (including the trading name or company name in English);
- (2) Address of its headquarters or principal office;
- (3) Name of the representative; and
- (4) Any other matters which JSCC deems necessary to carry out the examination of an Applicant set forth in the Business Rules.

However, for the application under Article 8.3 of the Business Rules, Item (4) above does not need to be stated in the application form.

- 2 The following documents shall be attached to the application form set forth in Paragraph 1:

- (1) A certificate of registered matters or any alternative document related to the Applicant;

- (2) A seal registration certificate of the Applicant's representative, who is to sign on and whose seal is affixed to the Clearing Participant Agreement, or any alternative document approved by JSCC;
  - (3) A document stating the name of the Officer supervising the business related to IRS Transactions, or, if there is no such Officer, a person responsible for the business related to IRS Transactions;
  - (4) A document stating the risk management method in respect of clearing business of IRS Transactions and any other business procedures; and
  - (5) Any other documents which JSCC deems necessary for the examination of the Applicant.
- 3 An Applicant that is a Specified Successor Financial Institution may be exempted from submission of any of the above documents as JSCC considers appropriate.

Article 15. IRS Clearing Qualification Procedures

- 1 The procedures required by JSCC under Article 10.1 of the Business Rules are (i) the payment of the initial fee for IRS Clearing Qualification, (ii) the registration of the representative of Clearing Participant prescribed Article 13.1 of the Business Rules, (iii) the registration of a person in charge of the settlement operation prescribed in Article 14 of the Business Rules, (iv) the notification to identify the current account at Bank of Japan prescribed in Article 18.1 or 18.2 hereof and (v) other procedures JSCC deems necessary in granting IRS Clearing Qualification to the Applicant.
- 2 The amount of the initial fee for IRS Clearing Qualification described in Paragraph 1 shall be 1 million JPY (1,000,000 JPY), and the Applicant shall pay such initial fee together with the amount equal to the consumption tax and local consumption tax thereon.
- 3 The provisions of Paragraph 1 shall apply *mutatis mutandis* to the IRS Clearing Qualification acquisition procedures prescribed by JSCC under Article 10.3 of the Business Rules. In this case, the phrase "(i) the payment of the initial fee for IRS Clearing Qualification, (ii) the registration of the representative of Clearing Participant prescribed Article 13.1 of the Business Rules" in Paragraph 1 shall be replaced with "(i) the registration of the representative of Clearing Participant prescribed Article 13.1 of the Business Rules."

Article 15-2. Application for Client Clearing Authorization

- 1 When applying for Client Clearing authorization set forth in Article 12-2.1 of the Business Rules, a Clearing Participant shall submit to JSCC an application form prescribed by JSCC stating the following:

- (1) Trading name or company name (including the trading name or company name in English);
  - (2) Address of its headquarters or principal office;
  - (3) Name of the representative; and
  - (4) Any other matters which JSCC deems necessary for Client Clearing authorization.
- 2 The documents stating following items concerning the Client Clearing shall be attached to the application form set forth in Paragraph 1 above:
  - (1) An operational flow related to the settlement of Cleared Contracts and Clearing Brokerage Contracts;
  - (2) Risk management procedures against Customer risk; and
  - (3) A procedures for prevention of conflict of interests.
- 3 Notwithstanding the provisions of Paragraph 2 above, a Specified Successor Financial Institution which applies for an authorization to handle Client Clearing is exempted from submission of documents required under Paragraph 2 above.

Article 16. Notification Method

- 1 The notification to JSCC prescribed in Articles 13.1, 14, 19, 27-6, 27-7, 44 and 45 of the Business Rules shall be made in the form prescribed by JSCC accompanied by documents which JSCC deems necessary.
- 2 The notification to JSCC prescribed in Articles 13.1, 14, 19, 27-6, 27-7 and 44 of the Business Rules shall be made by the time designated by JSCC on each occasion.

Article 17. Procedures for Consultation

The procedures for the consultation set forth in Article 15.2 of the Business Rules (including the cases to which such provisions apply mutatis mutandis in Article 35) shall be as follows:

- (1) JSCC shall give the Clearing Participant prior notice covering the consultation matters, place and date of the consultation;
- (2) The Clearing Participant shall have its representative or delegate attend the consultation and answer JSCC's questions truthfully and in full;

- (3) The Clearing Participant shall have the right to make a statement at the consultation; and
- (4) JSCC shall keep a record of the consultation matters, details of the answers and the statements of the Clearing Participant and other necessary details.

#### Article 18. Funds Settlement Method

- 1 The settlement of Japanese yen Cash under Article 17.1, Article 71, or Article 107.1.(1) of the Business Rules shall be performed through a bank account transfer between the current account opened in the name of JSCC with the Bank of Japan and the current account opened in the name of the relevant Clearing Participant with the Bank of Japan through BOJ-NET.
- 2 A Clearing Participant may remit or receive Cash described in Paragraph 1 through its agent if the Clearing Participant submits to JSCC a document stating the matters required by JSCC and obtains the prior approval of JSCC. Such remittance and receipt shall be made through the current account in the name of the agent opened with the Bank of Japan.
- 3 The settlement of Cash in United States dollars under Article 17.1 or Article 71 of the Business Rules shall be performed through a credit to the account opened in the name of JSCC at the bank designated by JSCC.

#### Article 18-2. Foreign Exchange Rate Prescribed by JSCC

- 1 The foreign exchange rate prescribed by JSCC under Article 17.3 of the Business Rules (including the cases to which such provisions apply *mutatis mutandis* in Article 63.2, Article 67.2 and Article 108.7 of the Business Rules; the same applies in this Article) shall be the Telegraphic Transfer Spot Buying Rate of Japanese yen to 1 USD at Tokyo foreign exchange market on the second day preceding the date of deposit of the IRS Clearing Fund.
- 2 The rate prescribed by JSCC under Article 17.3 shall be 95%.

#### Article 19. Exception to Limits of Liability

Damages separately prescribed under Article 18 of the Business Rules shall be the damages incurred by a Clearing Participant from a breach of the obligations set forth in Article 5 of the Rules on Inspection of Clearing Participant in relation to IRS Clearing Business by the Inspector (as such term defined in the Rules on Inspection of Clearing Participant in relation to IRS Clearing Business) or the assistant (as such term used in the Rules on Inspection of Clearing Participant in relation to IRS Clearing Business).

#### Article 20. Matters to be Reported

- 1 Events prescribed under Article 20 of the Business Rules shall be any of the following events on the part of a Clearing Participant. The Clearing Participant shall report such

event to JSCC in the form prescribed by JSCC together with the documents which JSCC deems necessary:

- (1) When the Clearing Participant establishes or changes its risk management methods, business operations or any other aspects of its business pursuant to Article 29-2.2.(2) or Article 33-3.2.(2) of the Financial Instruments and Exchange Act (Act No. 25 of 1948), or, in the case of a foreign bank, when it changes any item stated in the document prescribed in Article 18.2.(4) to be submitted with the application for IRS Clearing Qualification pursuant to Article 18.2, unless such change is immaterial;
- (2) When the Clearing Participant learns that its Designated Parent Company (as such term defined in Article 57-12.3 of the Financial Instruments and Exchange Act) filed notification pursuant to the provisions of Article 57-14 of said Act in respect of the matters listed in Article 57-13.1.(6) of said Act;
- (3) If the Clearing Participant is a Financial Instruments Business Operator, when it suspends or resumes its Financial Instruments Business; and, if the Clearing Participant is a Registered Financial Institution, when it suspends or resumes the business which required registration under the Financial Instruments and Exchange Act;
- (4) When the Clearing Participant files a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings, the commencement of special liquidation or the recognition of foreign insolvency proceedings<sup>1</sup>, including petitions equivalent to the foregoing under any foreign laws and regulations, or when the Clearing Participant becomes aware of the fact that the petition for any of the foregoing was filed against it;
- (5) When the Clearing Participant becomes aware of a filing of a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings, the commencement of special liquidation or the recognition of foreign insolvency proceedings in respect of the Designated Parent Company;
- (6) When the Clearing Participant becomes, or is likely to become, insolvent;
- (6)-2 When the Clearing Participant set forth under Article 2.1.(59).g. of the Business Rules had its obligations accelerated pursuant to the provisions of the Agreement for Setting up Futures/Options Trading Account or the Contract for Commissioning

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<sup>1</sup> cf. Act on Recognition of and Assistance for Foreign Insolvency Proceedings (Act No. 129 of 2000).

Clearance of JGB Futures Contracts;

- (6)-3If, with respect to a Clearing Participant, the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts are recorded on its Clearing Participant Account and the Cross Margining User for such Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts falls under Article 2.1.(13)-9.d. of the Business Rules, when the JGB Futures Non-Clearing Participant to which the Cross Margining User requested brokerage of the JGB Futures Contracts or the Interest Rate Futures Contracts had its obligation accelerated as a matter of course under the AGREEMENT FOR SETTING UP FUTURES/OPTIONS TRADING ACCOUNT.
- (7) When the Designated Parent Company becomes, or is likely to become, insolvent;
- (8) When the Clearing Participant becomes unable to meet the requirements under in Article 9.1. (2). a. or b. of the Business Rules;
- (9) When the Clearing Participant learns that the majority of the voting rights of the shareholders, excluding the voting rights that may only be exercised with respect to limited matters to be resolved at general meetings of shareholders, but including the voting rights attached to shares which are deemed to have voting rights pursuant to Article 879.3 of the Companies Act (Act No. 86 of 2005), or voting rights attached to the equity investment, is held by a single person or another single legal entity or other institution;
- (10) When the Clearing Participant becomes aware of any change in respect of the top ten major shareholders. For this purpose, top ten major shareholders shall be determined by reference to the number of shares held in their own name or in other person's name. Such change shall be reported at each interval prescribed in a notice by JSCC;
- (11) When the Clearing Participant learns that any sanction or punishment is imposed on the Clearing Participant in accordance with the Financial Instruments and Exchange Act, laws and regulations related thereto, and any foreign laws and ordinances equivalent thereto, and in the case of such sanction or punishment under foreign laws and ordinances, when it involves businesses related to IRS Transaction;
- (12) When the Clearing Participant learns that any sanction or punishment is imposed on the Designated Parent Company or Specified Major Shareholders (as such term defined in Article 32.4 of the Financial Instruments and Exchange Act) in accordance with the provisions of the laws and regulations;



- (12)-2 In association with a sanction set forth in Item (11) or (12) above, when the Clearing Participant reports improvement plan or other action plan to an administrative agency;
- (13) If the Clearing Participant is a Financial Instruments Business Operator, when it learns that any of its Officers has fallen under the provisions of Article 29-4.1.(2). a) to i) of the Financial Instruments and Exchange Act; and if the Clearing Participant is a Registered Financial Institution, when it learns the fact (i) that a decision of the commencement of bankruptcy proceedings was made in respect to any of its Officers supervising the business relating to IRS Transactions, or, if there is no such Officer, in respect of a person responsible for the business relating to IRS Transactions, or (ii) that any Officer supervising the business relating to IRS Transactions, or, if there is no such Officer, a person responsible for the business relating to IRS Transactions, was sentenced to imprisonment or more severe punishment, or punished by a fine pursuant to the Financial Instruments and Exchange Act, or (iii) that any similar event under foreign laws or ordinances occurred;
- (14) When the Clearing Participant learns that any Officer of its Designated Parent Company has fallen under the provisions of Article 29-4.1.(2). a) to i) of the Financial Instruments and Exchange Act;
- (15) When the Clearing Participant learns that the Major Shareholders (as such term defined in Article 29-4.2 of the Financial Instruments and Exchange Act) of a Financial Instruments Business Operator have fallen under the provisions of Article 29-4.1.(5). d) or e) of the Financial Instruments and Exchange Act, or, in the case of a foreign entity which is a Financial Instruments Business Operator, when it learns that those similar to Major Shareholders have fallen under Article 29-4.1.(5). f) of the Financial Instruments and Exchange Act;
- (16) When the Clearing Participant learns that the Major Shareholders of its Designated Parent Company have fallen under the provisions of Article 29-4.1.(5). d) or e) of the Financial Instruments and Exchange Act;
- (17) When the Clearing Participant learns that a legal action in a civil case involving an amount in dispute of not less than 50 billion JPY is filed against it or that a court decision is made in the said case, including an appeal, or that a petition for conciliation in the economic value not less than 50 billion JPY is filed against it under the Civil Conciliation Act (Act No. 222 of 1951) or that such conciliation has been closed;
- (18) When the Clearing Participant learns that a legal action in a civil case is filed against its Designated Parent Company or that a court decision is made in the said

case including an appeal, or a petition for conciliation under the Civil Conciliation Act is filed against the Designated Parent Company or that such conciliation has been closed;

- (18)-2 In the case of a Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 46-3 of the Financial Instruments and Exchange Act; in the case of a Registered Financial Institution, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 48-2 of the Financial Instruments and Exchange Act; or, in the case of a foreign Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 49-3 of the Financial Instruments and Exchange Act;
- (19) When the Clearing Participant prepares documents for the Monitoring Questionnaires pursuant to Article 56-2 of the Financial Instruments and Exchange Act, or, in the case of a Registered Financial Institution, a Statement of Major Accounts prescribed by JSCC in a notification;
- (20) When the Clearing Participant prepares the “document stating the sound management of the company available for public inspection” pursuant to the provisions of Article 57-5.3 of the Financial Instruments and Exchange Act;
- (21) When the Ultimate Designated Parent Company (as such term defined in Article 57-12.3 of the Financial Instruments and Exchange Act) prepares the “document stating the sound management of the company available for public inspection” pursuant to Article 57-5.3 of the Financial Instruments and Exchange Act;
- (22) If the Clearing Participant is a Financial Instruments Business Operator, when it prepares a business status report set forth in Article 46-3 of the Financial Instruments and Exchange Act; or if the Clearing Participant is a Registered Financial Institution, when it prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 19 of the Banking Act (Act No. 59 of 1981), or when the Clearing Participant prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 110 of the Insurance Business Act (Act No. 105 of 1995); or if the Clearing Participant is a Registered Financial Institution which is a foreign entity, when it prepares a report equivalent thereto;
- (23) When the Clearing Participant prepares a business report pursuant to Article 57-3.1 of the Financial Instruments and Exchange Act;
- (24) When the Ultimate Designated Parent Company prepares the business report;

- (25) When the Clearing Participant prepares a financial result overview report or a mid-term financial result overview report prescribed by JSCC in a notification;
- (26) If the Clearing Participant is a Financial Instruments Business Operator which is a foreign entity, when it prepares the balance sheet, the profit and loss statement and any other financial statements set forth in Article 49-3.1 of the Financial Instruments and Exchange Act;
- (27) (Deleted)
- (28) When the Clearing Participant amends the Clearing Brokerage Agreement with a Customer, except for the case where the Clearing Brokerage Agreement is amended pursuant to the provisions of Article 7.4;
- (28)-2 When the Clearing Participant learns that a Customer of the Clearing Participant changes in the trading name or company name, including changes to the trading name or company name in English;
- (29) When a Customer of the Clearing Participant fails to perform any settlement;
- (30) When the Clearing Participant learns that the Designated Parent Company changed the address of its headquarters or principal office;
- (31) When the Clearing Participant filed a notification pursuant to Article 57-2.1 or Article 57-2.6 (only when it falls under Article 57-2.6(2)) of the Financial Instruments and Exchange Act;
- (32) When the Clearing Participant learns that its parent company is designated as Designated Parent Company, or that such designation is cancelled or has become ineffective;
- (33) When the Clearing Participant learns that the Designated Parent Company merged with another entity (excluding the case where the Designated Parent Company ceases to exist as a result of the merger);
- (34) When the Clearing Participant learns that a person newly became, or ceased to be, a Specified Major Shareholder; or
- (35) When Officer supervising the business related to IRS Transactions, or, if there is no such Officer, a person responsible for the business related to IRS Transactions, was changed.

- (36) When the Clearing Participant changes its fiscal year end date.
- 2 When reporting the matter described in Paragraph 1.(22), the Clearing Participant shall attach an audit report prepared by the accounting auditor, or its equivalent which JSCC considers appropriate, concerning the financial statements attached to the business status reports, non-consolidated business operations reports, or other equivalent documents prescribed in Paragraph 1.(22).
- 3 Where a Clearing Participant is under Parental Guarantee, events prescribed under Article 20 of the Business Rules shall be, in addition to those listed in Paragraph 1 (excluding Item (8)), those listed in the following items, and the Clearing Participant shall report such event using the form prescribed by JSCC together with documents which JSCC deems necessary:
- (1) When any of the events set forth in Paragraph 1.(4), 1.(6), 1.(11) and 1.(17) has occurred on the part of the Parent Company other than the Designated Parent Company;
  - (2) When any of the events set forth in Paragraph 1.(19), 1.(22), 1.(25) and 1.(26) has occurred on the part of the Parent Company;
  - (3) When the Clearing Participant or its Parent Company no longer satisfies the requirements set forth Article 9.2 of the Business Rules; and
  - (4) If the Parent Company is neither a Financial Instruments Business Operator nor a Registered Financial Institution, when any of the following events has occurred on the part of such Parent Company:
    - a. when it suspended or resumed all of its businesses; or
    - b. when it prepared a balance sheet, profit and loss statement or any other financial documents.
- 4 The provisions of Paragraph 2 shall apply *mutatis mutandis* when the Clearing Participant reports the event set forth in Paragraph 1.(22) or Paragraph 3.(4).b. concerning its Parent Company providing Parental Guarantee to such Clearing Participant.

Article 21. Application to Renounce IRS Clearing Qualification

- 1 When renouncing its IRS Clearing Qualification as set forth in Article 22 of the Business Rules, the Clearing Participant shall submit the form prescribed by JSCC stating the following:
- (1) Trading name or company name (including the trading name or company name in English);

- (2) Address of its headquarters or principal office;
  - (3) Name of the representative; and
  - (4) The reason for renunciation of its IRS Clearing Qualification.
- 2 The form set forth in Paragraph 1 shall accompany necessary documents required by JSCC.

Article 22. IRS Clearing Qualification Renunciation Timing

The time to be designated under of Article 23.1 of the Business Rules shall be the time when JSCC has confirmed, in accordance with Article 28.2, the satisfaction of the Clearing Requirements in accordance with Article 27.2 in respect of all of the requests for Clearing JSCC receives.

Article 22-2. Request for Cancellation of Client Clearing Authorization

- 1 The cancellation of Client Clearing authorization set forth in Article 27-2 of the Business Rules shall be requested by a submission by a Clearing Participant of the request form prescribed by JSCC stating the following:
- (1) Trading name or company name (including the trading name or company name in English);
  - (2) Address of its headquarters or principal office; and
  - (3) Name of the representative.
- 2 The request form set forth in Paragraph 1 shall accompany necessary documents required by JSCC.

Article 23. Increase in Required Initial Margin where Risk is High

- 1 When applying Article 29.2 of the Business Rules, JSCC shall measure the risk by PV01, which is the change in net present value calculated by the method prescribed by JSCC in a notification, calculated by category designated by JSCC in a notification with respect to JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts or EUR Cleared Contracts recorded on each Proprietary Account or Customer Account of a Clearing Participant. The threshold to be set by JSCC under Article 29.2 of the Business Rules shall be set in a notification.
- 2 When applying Paragraph 1 to a Proprietary Account of a Clearing Participant which is a Cross Margining User or a Customer Account established for a Customer who is a Cross

Margining User, the provisions of Paragraph 1 shall be deemed to have been revised in the following manner:

- a. The reference to “JPY Cleared Contract” shall be replaced with “JPY Cleared Contracts, Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts”; and
- b. The reference to “net present value” shall be replaced with “net present value or present value of the Cross Margined JGB Futures Cleared Contract and the Cross Margined Interest Rate Futures Cleared Contracts, which is the value obtained for JGB Futures Contract related to the Cross Margined JGB Futures Cleared Contracts and the Interest Rate Futures Contracts related to the Cross Margined Interest Rate Futures Cleared Contracts based on expected future cash flow through a method prescribed by JSCC through a notice or public notice.”

- 3 When JSCC increases Required Initial Margin as set forth in Article 29.2 of the Business Rules, the Additional Required Initial Margin shall be the amount obtained by multiplying the excess of PV01 as set forth in Paragraphs 1 and 2 above the threshold prescribed in Paragraphs 1 and 2, by the interest rate fluctuation risk corresponding to the level of PV01 set by JSCC in a notification, and then reflecting the interest rate fluctuation risk correlation by category designated by JSCC pursuant to the provisions of Paragraph 1 in the manner prescribed by JSCC through public notice. For Foreign Currency Cleared Contracts, above mentioned excess of PV01 shall be converted into JPY by using foreign exchange rate prescribed by JSCC through public notice.

Article 23-2. Increase in Required Initial Margin where Risk is Relatively High Comparing to Net Capital

The increase in the Required Initial Margin set forth in Article 29-2.1 of the Business Rules shall apply by each Proprietary Account or Customer Account (referred to as “Transaction Account” in this Article). The Additional Required Initial Margin shall be determined by multiplying the Required Initial Margin of the Transaction Account by the below stated multiplier according to the percentage of the Required Initial Margin for such Transaction Account to the Net Capital of the Clearing Participant:

	Percentage of Required Initial Margin to Net Capital	Multiplier
(1)	Over 50% up to 60%:	0.2
(2)	Over 60% up to 70%:	0.4
(3)	Over 70% up to 80%:	0.6
(4)	Over 80% up to 90%:	0.8
(5)	Over 90%:	1.0

Article 24. Measures against Clearing Participants Due to Creditworthiness

- 1 When increasing the Required Initial Margin under Article 32 of the Business Rules, the Additional Required Initial Margin shall be the amount determined according to the

multiplier set by JSCC in a notification.

- 2 Under Article 32.1.(1).a. of the Business Rules, the level shall be the Capital-to-Risk Ratio of the Clearing Participant, or, if the Clearing Participant is a Special Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio, of 250%. The deterioration of creditworthiness shall be the Clearing Participant falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Clearing Participant may not be sufficiently creditworthy.
- 3 The level and the deterioration of creditworthiness under Article 32.1.(1).b. of the Business Rules shall be, depending upon the category, as follows:
  - (1) Where the Clearing Participant is a Registered Financial Institution subject to Uniform International Standards:

As specified in a. to c. below, or, in the case of a foreign bank, their equivalent:

    - a. Level: Its non-consolidated or consolidated Common Equity Tier 1 ratio, or, for an institution which operates with investments from its members, its non-consolidated or consolidated common investment Tier 1 ratio, of 5.625%, and  
Deterioration of Creditworthiness: The Clearing Participant falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Clearing Participant may not be sufficiently creditworthy;
    - b. Level: Its non-consolidated or consolidated Tier 1 ratio of 7.5%, and  
Deterioration of Creditworthiness: The Clearing Participant falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Clearing Participant may not be sufficiently creditworthy;
    - c. Level: Its non-consolidated or consolidated Total Capital ratio of 10%, and  
Deterioration of Creditworthiness: the Clearing Participant falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Clearing Participant may not be sufficiently creditworthy;
  - (2) Where the Clearing Participant is a Registered Financial Institution other than those subject to Uniform International Standards, foreign banks and insurance companies ("Financial Institution subject to Japanese Standard"):

The non-consolidated or consolidated capital adequacy ratio under Japanese Standard of 5%, and the Clearing Participant falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Clearing Participant may not be sufficiently creditworthy.
- 4 The level under Article 32.1.(1).c. of the Business Rules shall be the non-consolidated or consolidated Solvency Margin Ratio of 500%, and the deterioration of the creditworthiness shall be the Clearing Participant falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Clearing Participant may not be

sufficiently creditworthy.

5 The level under Article 32.1.(2).a of the Business Rules shall be the Risk-to-Capital Ratio of the Clearing Participant of 250%, the deterioration of the creditworthiness of the Parent Company shall be the Parent Company falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Parent Company may not be sufficiently creditworthy.

6 The level and the deterioration of creditworthiness under Article 32.1.(2).b. of the Business Rules shall be, depending upon the category, as follows:

(1) Where the Clearing Participant is a Registered Financial Institution subject to Uniform International Standards:

As specified in a. to c. below, or, in the case of a foreign bank, their equivalent:

a. Level: Its non-consolidated or consolidated Common Equity Tier 1 ratio of 5.625%, and

Deterioration of Creditworthiness: The Parent Company falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Parent Company may not be sufficiently creditworthy;

b. Level: Its non-consolidated or consolidated Tier 1 ratio of 7.5%, and  
Deterioration of Creditworthiness: The Parent Company falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Parent Company may not be sufficiently creditworthy;

c. Level: Its non-consolidated or consolidated Total Capital ratio of 10%, and  
Deterioration of Creditworthiness: The Parent Company falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Parent Company may not be sufficiently creditworthy;

(2) Where the Clearing Participant is a Financial Institution subject to Japanese Standard:

The level shall be the non-consolidated or consolidated capital adequacy ratio under Japanese Standard of 5%, and the deterioration of creditworthiness of the Parent Company shall be the Parent Company falling under the situation prescribed by JSCC in a notification or a public notice as the case such Parent Company may not be sufficiently creditworthy.

7 The level under Article 32.1.(2).c. of the Business Rules shall be the non-consolidated or consolidated Solvency Margin Ratio of 500%, and the deterioration of creditworthiness of the Parent Company shall be the Parent Company falling under the situation prescribed by JSCC in a notification or a public notice as the case where such Parent Company may not be sufficiently creditworthy.



8 The events under Article 32.1.(2).a. through c. of the Business Rules shall be, depending upon the category the Parent Company of the Clearing Participant falls, the event set forth below:

- (1) If the Parent Company is a Financial Instruments Business Operator:  
Its Capital-to-Risk Ratio becomes less than 250%.
- (2) If the Parent Company is a Registered Financial Institution subject to Uniform International Standards, events specified in a. to c. below, or, in the case of a foreign bank, an equivalent event:
  - a. when its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 5.625%;
  - b. when its non-consolidated or consolidated Tier 1 ratio becomes less than 7.5%;  
or
  - c. when its non-consolidated or consolidated Total Capital ratio becomes less than 10%;
- (3) If the Parent Company is a Financial Institution subject to Japanese Standards:  
Its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 5%;
- (4) If the Parent Company is an insurance company which is a Registered Financial Institution:  
When its non-consolidated or consolidated Solvency Margin Ratio becomes less than 500%.
- (5) If the Parent Company is other than the above:  
When any equivalent event occurs.

**Article 25. Increase in Required Initial Margin to Accumulate**

Where Required Initial Margin of a Clearing Participant is increased for multiple reasons, the aggregate of the Additional Required Initial Margin shall apply.

**Chapter 3 Clearing Brokerage (Article 26 - 26-2)**

**Article 26. Letter of Undertaking in respect of Clearing Brokerage Agreement**

The form of a letter of undertaking prescribed under Article 43.2 of the Business Rules shall be the form attached hereto as Exhibit Form 4 or Exhibit Form 4-2.

**Article 26-2. Designation of Backup Clearing Broker**

- 1 When giving notification set forth in Article 45-2.3 of the Business Rules, if a Customer designates a separate Backup Clearing Broker by each currency of denomination of Cleared Contract, it shall make clear such effect in the notification.
- 2 The report to JSCC under Article 45-2.4 of the Business Rules shall be as follows:
  - (1) The Backup Clearing Broker shall promptly report to JSCC the following:
    - a. When the Customer who designates the Backup Clearing Broker and the Backup Clearing Broker have agreed on the conditions to transfer the Customer's Cleared Contracts and Clearing Brokerage Contracts, entirely or in part, to such Backup Clearing Broker, the Backup Clearing Broker shall promptly report the details of such conditions to JSCC;
    - b. When the Customer who designates the Backup Clearing Broker and the Backup Clearing Broker have agreed on the establishment of the framework for transferring the Customer's Cleared Contracts and the Clearing Brokerage Contracts, entirely or in part, smoothly to such Backup Clearing Broker, the Backup Clearing Broker shall promptly report the details of such framework.
  - (2) When changing or cancelling the agreement on the matters listed in a. or b. above, the Backup Clearing Broker shall promptly report such change with its details or report cancellation to JSCC.
- 3 The details of the structure prescribed under Article 45-2.5 of the Business Rules shall be all of the following:
  - (1) To agree in advance on the conditions set forth in Paragraph 1.(1).a.;
  - (2) Both the Customer and the Backup Clearing Broker to periodically check to see if the transfer of the Customer's Cleared Contracts and the Clearing Brokerage Contracts to the Backup Clearing Broker pursuant to the agreement set forth in Item (1) is possible;
  - (3) To establish the operational flow related to the payment and/or receipt of Funds to be performed daily after the Position Transfer, including the communication related to the Customer's Cleared Contracts and the Clearing Brokerage Contracts, and accounts to be used for the settlement; and
  - (4) To conduct periodic training based on the agreement set forth in Item (1) assuming the situation in which the Customer's Cleared Contracts and the Clearing Brokerage Contracts are to be transferred.

Article 26-3. Designation of Listed Futures Backup Clearing Broker

1 The report to JSCC under Article 45-3.4 of the Business Rules shall be as follows:

- (1) The Listed Futures Backup Clearing Broker shall promptly report to JSCC via the Cross Margining Accepting Party the following:
  - a. When the Cross Margining User who designates the Listed Futures Backup Clearing Broker (and the JGB Futures Non-Clearing Participant, when JGB Futures Contracts or Interest Rate Futures Contracts of the Cross Margining User are traded through a brokerage of a JGB Futures Non-Clearing Participant) and the JGB Futures Clearing Participant have agreed on the conditions of the Listed Futures Position Transfer in respect of all or a part of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like to the JGB Futures Clearing Participant, the Listed Futures Backup Clearing Broker shall promptly report the details of the conditions for Listed Futures Position Transfer to JSCC;
  - b. When the Cross Margining User who designates the Listed Futures Backup Clearing Broker (and the JGB Futures Non-Clearing Participant, when JGB Futures Contracts or Interest Rate Futures Contracts of the Cross Margining User are traded through a brokerage of a JGB Futures Non-Clearing Participant) and the JGB Futures Clearing Participant have agreed on the establishment of the framework for Listed Futures Position Transfer in respect of all or a part of the claims and obligations related to such JGB Futures Cleared Contracts and the like and the claims and obligations related to such Interest Rate Futures Cleared Contracts and the like to such JGB Futures Clearing Participant, the Listed Futures Backup Clearing Broker shall promptly report the details of such framework to JSCC.
- (2) When changing or cancelling the agreement on the matters listed in a. or b. above, the Listed Futures Backup Clearing Broker or the JGB Futures Non-Clearing Participant, as applicable, shall promptly report such change with its details or report cancellation to JSCC via the Cross Margining Accepting Party.

For the purpose of these Handling Procedures, the claims and obligations related to JGB Futures Cleared Contracts and the like means the claims and obligations related to the JGB Futures Cleared Contracts, a Clearing brokerage for JGB Futures Contracts and a brokerage for JGB Futures Contracts and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like means the claims and obligations related to the Interest Rate Futures Cleared Contracts, a Clearing brokerage for Interest Rate Futures Contracts and a brokerage for Interest Rate Futures Contracts.

2 The details of the structure prescribed under Article 45-3.5 of the Business Rules shall be all of the following:

- (1) To agree in advance on the conditions set forth in Paragraph 1.(1).a.;
- (2) Both the Cross Margining User and the Listed Futures Backup Clearing Broker to periodically check to see if the Listed Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like to the Listed Futures Backup Clearing Broker pursuant to the agreement set forth in Item (1) is possible;
- (3) To establish the operational flow related to the payment and/or receipt of Funds to be performed daily after the Listed Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like, including the communication concerning the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like, and accounts to be used for the settlement of Funds; and
- (4) To conduct periodic training based on the agreement set forth in Item (1) assuming the situation in which the Listed Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like is effected.

#### **Chapter 4 Clearing and Cleared Contracts (Article 27 – 35-6)**

##### Article 27. Request for Clearing

- 1 The request for Clearing as set forth in Article 48.1 of the Business Rules shall be made, depending upon the situation, in the following manner:
  - (1) When requesting Clearing for an Eligible IRS Transaction executed for an unaffiliated Customer:  
Acceptance by the Clearing Broker of Clearing Brokerage for that Eligible IRS Transaction as set forth in Article 54-2.3 of the Business Rules;
  - (2) Other request for Clearing:  
Affirmation in the manner prescribed by JSCC in a notification or a public notice or a use of an electronic trading platform.
- 2 JSCC will receive notifications set forth in Article 48.1 of the Business Rules during the periods from 9:00 a.m. to noon, from 1:00 p.m. to 4:00 p.m. and from 5:30 p.m. to 7:00 p.m. on a JSCC Business Day.

- 3 Notwithstanding the provisions of Paragraph 2, when a request for Clearing of Backload Transaction is made, JSCC will receive a notice of such request by 8:00 a.m. on the JSCC Business Day immediately following the date of such request.

Article 28. Requirements for Clearing

- 1 The requirements prescribed under Article 49.1 of the Business Rules shall be that the Eligible IRS Transaction described in Article 49.1 of the Business Rules satisfies both of the following conditions, or, in the case of the Eligible IRS Transaction executed between Clearing Brokers, it satisfies Item (1) below:

- (1) Requirements set forth in Article 9 hereof are met; and
- (2) In respect of a request for Clearing set forth in Paragraph 2 below, no date during the period from the day on which JSCC confirms the satisfaction of the Clearing Requirements in accordance with Article 49.1 of the Business Rules to the next JSCC Business Day falls on a Payment Date or the settlement date of the Upfront Fee.

In addition, the Eligible IRS Transaction described in Article 49.1 of the Business Rules which comprises a part of a Package Trade should also satisfy both of the following conditions:

- (3) In respect of the Eligible IRS Transactions which comprise a Package Trade, the parties are the same for each of such Eligible IRS Transaction, and such Eligible IRS Transaction satisfies other requirements prescribed by JSCC in a notification or a public notice; and
  - (4) Information necessary to identify the Package Trade of which it comprises a part is attached.
- 2 JSCC shall confirm the satisfaction of the Clearing Requirements in accordance with Article 49.1 of the Business Rules in the following manner according to the below-listed classification of the request for Clearing:
- (1) Request for Clearing of Backload Transaction:  
By 8:00 a.m. on the date of receipt of the request for Clearing;
  - (2) Request for Clearing of Transaction other than Backload Transaction:  
Promptly after its receipt of the request for Clearing, or, for a Package Trade, its receipt of the request for Clearing of all Eligible IRS Transactions comprising the Package Trade..

- 3 The time prescribed under Article 49.1 of the Business Rules shall be the time when JSCC

confirms the satisfaction of the Clearing Requirements in accordance with Article 49.1 of the Business Rules, including such confirmation carried out during the time temporarily changed pursuant to Article 49.4.

- 4 The calculation method prescribed under Article 49.1 of the Business Rules shall be set forth in Appendix 2 attached hereto.
- 5 The amount prescribed under Article 49.1.(1) of the Business Rules shall be the amount set forth in Appendix 3 attached hereto.
- 6 The cap prescribed under Article 49.1.(2) of the Business Rules shall be JPY 2 billion.
- 7 The method prescribed under Article 49.1.(2).b. of the Business Rules shall be a notification via the IRS Clearing System, and contents of the notification shall be reflected on the next JSCC Business Day following the date of notification.
- 8 The notification of JSCC as set forth in Article 49.2 and 49.3 of the Business Rules shall be given as soon as possible in line with the provisions of CFTC Regulation 39.12 (b)(7)(ii) and (iii).
- 9 Notwithstanding the provisions of Paragraph 5, JSCC will give notice set forth in Articles 49.2 and 49.3 of the Business Rules concerning the request for Clearing received by JSCC pursuant to the provisions of Article 27.3 at or after 8:05 a.m. as soon as possible on the date of receipt of the notification of request for such Clearing.
- 10 In the event of a failure of the IRS Clearing System or any other necessary system of JSCC or other institution for the IRS Clearing Business or when JSCC deems it extremely necessary for any other reason, JSCC may change the time during which it will receive requests for Clearing. When JSCC changes such time, JSCC shall notify the Clearing Participants of the new time without delay.

#### Article 29. Details of Cleared Contracts

- 1 The other forms of master agreement to be separately prescribed under Article 51.1 of the Business Rules shall be as follows:
  - (1) 1987 ISDA Interest Rate and Currency Exchange Agreement (including the Schedule);
  - (2) 1987 ISDA Interest Rate Swap Agreement (including the Schedule);
  - (3) 1992 ISDA Master Agreement (including the Schedule);

- (4) 2002 ISDA Master Agreement (including the Schedule); and
  - (5) A master agreement designated by JSCC in a public notice.
- 2 In applying the ISDA Master Agreement and the ISDA Definitions to a Cleared Contract pursuant to the provisions of Article 51.1 of the Business Rules, the necessary replacement of terms and other matters shall be as follows:
- (1) The matters prescribed in the Rules and other matters prescribed by JSCC in a public notice shall be deemed to have been set forth in the Schedule;
  - (2) Out of the Floating Rate Options, JPY-TIBOR-17097 and JPY-TONA-OIS-COMPOUND shall be deemed to have been replaced by JPY-TIBOR and JPY-TONA-OIS Compound, respectively; and
  - (3) Other replacement of terms that would become necessary in applying the ISDA Master Agreement and the ISDA Definitions to a Cleared Contract shall be prescribed by JSCC in a public notice.
- 3 The rules to be separately prescribed under Article 51.2 of the Business Rules shall be specified in a public notice.

Article 29-2. Method of Application for Exchanging Mark-to-Market Difference And Adjustment Amount

- 1 The manner to be prescribed under Article 51-2.1 and 4 of the Business Rules shall be those prescribed by JSCC in a notification or a public notice.
- 2 With respect to Applications for Exchanging Mark-to-Market Difference And Adjustment Amount set forth in Article 51-2.1 of the Business Rules, when a Clearing Participant intends to apply for exchanging Mark-to-Market Difference And Adjustment Amount subject to all the Cleared Contracts (Collateral Type) to be recorded in Proprietary Account or Customer Account, it must notify in advance such effect to JSCC. In this case, Cleared Contracts (Collateral Type) which will be newly recorded in Proprietary Account or Customer Account on and after the date of acceptance of such application shall be deemed to be applied for exchanging Mark-to-Market Difference And Adjustment Amount to JSCC on the date of such recording pursuant to the provisions of Paragraph 1 above.
- 3 Conditions prescribed by JSCC under Article 51-2.2 of the Business Rules shall be those that there are no claims nor obligations related to Variation Margin of Cleared Contracts (Collateral Type) subject to the Application for Exchanging Mark-to-Market Difference And Adjustment Amount of which deposit or payment has been already due or has not been completed at the time of JSCC's confirmation.

- 4 When JSCC receives the Application for Exchanging Mark-to-Market Difference And Adjustment Amount set forth in Article 51-2.1 of the Business Rules, it shall confirm the satisfaction of VM-as-Settlement Requirements pursuant to Article 51-2.2 of the Business Rules promptly after 4:00 p.m. on the day of receipt (“the time of JSCC’s confirmation,” if JSCC confirms the satisfaction of Per Trade Compression Conditions pursuant to Article 53.2 of the Business Rules; “the time of JSCC’s confirmation” if JSCC confirms the satisfaction of Blended Rates Compression Conditions pursuant to Article 53-2-2 of the Business Rules; “the time of JSCC’s confirmation,” if JSCC confirms the satisfaction of Member-Initiated Compression Conditions pursuant to Article 53-2-3.2 of the Business Rules; “the time of JSCC’s confirmation,” if JSCC confirms the satisfaction of JSCC-Initiated Compression Conditions pursuant to Article 53-2-4.4 of the Business Rules; “the time of JSCC’s acceptance,” if JSCC accepts a request of transfer or position transfer from a Clearing Participant pursuant to Article 53-4.1, Article 58-3.1, Article 58-5.1 or Article 58-7.1 of the Business Rules), provided that with respect to Applications for Exchanging Mark-to-Market Difference And Adjustment Amount submitted after 4:00 p.m. (including Applications for Exchanging Mark-to-Market Difference And Adjustment Amount subject to Cleared Contracts which have been newly recorded in Proprietary Account or Customer Account between 5:30 p.m. and 7:00 p.m., pursuant to the provisions in Paragraph 2), JSCC shall confirm the satisfaction of VM-as-Settlement Requirements promptly after 7:00 p.m.
- 5 Under the netting prescribed by JSCC in Article 51-2.3, JSCC and a Clearing Participant shall deduct the amount calculated as the amount equivalent to Variation Margin to be deposited to the counterparty, with respect to the Cleared Contracts that satisfies the VM-as-Settlement-Requirement, up to the date of confirmation of the satisfaction of VM-as-Settlement Requirements for Cleared Contracts (referred to as “Subject Amount of VM-as-Settlement”) from the net Variation Margin to be deposited by such date (amount deducting the gross receipts from the gross payments of Variation Margin). If the net Variation Margin after the deduction is positive, such amount shall be deemed as deposit with the counterparty. If such amount is negative, the amount equivalent to the absolute value of such negative amount shall be deemed as deposit from the counterparty. In this case, JSCC and the relevant Clearing Participant shall appropriate Cash equivalent to the Subject Amount of VM-as-Settlement to settle the payment obligation related to Mark-to-Market Difference at the time when such obligation comes into effect.
- 6 When JSCC deems it necessary due to causes such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business, JSCC may forgo confirmation of the satisfaction of VM-as-Settlement Requirements for the Application for Exchanging Mark-to-Market Difference And Adjustment Amount or may change the time of such confirmation. In this case, JSCC shall promptly notify the relevant Clearing Participants of its determination of forgoing such confirmation, or changing the time of such confirmation and the time so changed, without delay.

Article 30. Method of Application for Per Trade Compression of Cleared Contracts



- 1 The method to be separately prescribed under Article 53.1 and 53.5 of the Business Rules shall be the method of designating the Cleared Contracts recorded on the Proprietary Account or Customer Account of which it intends to conduct Per Trade Compression by using IRS Clearing System.
- 2 The requirements prescribed under Article 53.2 of the Business Rules shall be, according to the type of Cleared Contract, those set forth below:
  - (1) Cleared Contract subject to Application for Per Trade Compression:  
Economic terms designated by JSCC through a notice or public notice, such as Floating Rate Option or otherwise, are consistent with any of the other Cleared Contracts for which Per Trade Compression is applied;
  - (2) Cleared Contract which comes into effect as a result of Per Trade Compression:
    - a. Satisfies the conditions set forth in Article 9. (10); and
    - b. No date during the period from the date of JSCC's confirmation of the Per Trade Compression Conditions to the next JSCC Business Day is a Payment Date,
- 3 With respect to applications for Per Trade Compression set forth in Article 53.1 of the Business Rules submitted by 4:00 p.m. on a JSCC Business Day, JSCC shall confirm the satisfaction of the Per Trade Compression Conditions in accordance with Article 53.2 of the Business Rules promptly after 4:00 p.m. on the same day.
- 4 Economic terms of new Cleared Contract to come into effect as a result of Per Trade Compression that should be identical to the Cleared Contract subject to the application for the Per Trade Compression and other matters relating to new Cleared Contract to come into effect as a result of Per Trade Compression shall be prescribed by JSCC through a notice or public notice.
- 5 Claims and obligations to be designated by JSCC under Article 53.3 of the Business Rules are claims and obligations which have already been due at the time of confirmation of the satisfaction of the Per Trade Compression Conditions set forth in Article 53.2 of the Business Rules, listed below:
  - (1) Claims and obligations related to Upfront Fee which have already been due has not been completed; and
  - (2) In respect of an application for Per Trade Compression of Foreign Currency Cleared Contracts, claims and obligations related to Cash Settlement Amount of which deposit or payment related to Foreign Currency Cleared Contract subject to the application for Per Trade Compression which have already been due has not been completed
- 6 When JSCC deems it necessary due to causes such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business, JSCC may forgo confirmation of the satisfaction of Per Trade Compression Conditions or

change the time to confirm the satisfaction of Per Trade Compression Conditions. In this case, JSCC shall promptly notify Clearing Participants of its determination of forgoing such confirmation or changing time of such confirmation, and the time so changed, without delay.

Article 30-2. Method of Application for Blended Rates Compression of Cleared Contracts

- 1 The method to be separately prescribed under Article 53-2.1 and 53-2.5 of the Business Rules shall be the method of designating the Cleared Contracts recorded on the Proprietary Account or Customer Account of which it intends to conduct Blended Rates Compression by using IRS Clearing System.
- 2 The requirements prescribed under Article 53-2.2 of the Business Rules shall be, according to the type of Cleared Contract, those set forth below;
  - (1) Cleared Contract subject to Application for Blended Rates Compression:
    - a. Deleted,
    - b. Deleted,
    - c. Economic terms designated by JSCC through a notice or public notice, such as Floating Rate Option or otherwise, are consistent with any of the other Cleared Contracts for which Blended Rates Compression is applied,
    - d. The transaction involves an exchange of a fixed rate and a floating rate, and
    - e. The Notional Amount is constant throughout the Term
  - (2) Cleared Contract which comes into effect as a result of Blended Rates Compression:
    - a. Satisfies the conditions set forth in Article 9. (10).
    - b. No date during the period from the date of JSCC's confirmation of the Blended Rates Compression Conditions to the next JSCC Business Day is a Payment Date,
- 3 With respect to applications for Blended Rates Compression pursuant to the provisions of Article 53-2.1 of the Business Rules submitted by 4:00 p.m., JSCC shall confirm the satisfaction of the Blended Rates Compression Conditions in accordance with Article 53-2.2 of the Business Rules promptly after 4:00 p.m. on the date of receipt of such application.
- 4 Economic terms of new Cleared Contract to come into effect as a result of Blended Rates Compression that should be identical to the Cleared Contract subject to the application for the Blended Rates Compression and other matters relating to new Cleared Contract to come into effect as a result of Blended Rates Compression shall be prescribed by JSCC

through a notice or public notice.

5 Claims and obligations to be designated by JSCC under Article 53-2.3 of the Business Rules are claims and obligations, which have already been due at the time of confirmation of the satisfaction of the Blended Rates Compression Conditions set forth in Article 53-2.3 of the Business Rules, listed below:

- (1) Claims and obligations related to Upfront Fee which have already been due has not been completed; and
- (2) In respect of an application for a Blended Rates Compression of Foreign Currency Cleared Contracts, claims and obligations related to Cash Settlement Amount of which deposit or payment related to Foreign Currency Cleared Contract subject to the application for Blended Rates Compression which have already been due has not been completed.

6 When JSCC deems it necessary due to causes such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business, JSCC may forgo confirmation of the satisfaction of Blended Rates Compression Conditions or change the time to confirm the satisfaction of Blended Rates Compression Conditions. In this case, JSCC shall promptly notify Clearing Participants of its determination of forgoing such confirmation or changing time of such confirmation, and the time so changed, without delay.

Article 30-3. Method of Application for Vendor-Initiated Compression of Cleared Contracts

1 A manner to be prescribed by JSCC under Article 53-2-2.1 of the Business Rules shall be the manner of making application through triReduce service provided by TriOptima AB or a service provided by Quantile Technologies Limited.

2 The requirement prescribed under Article 53-2-2.2 of the Business Rules shall be as follows:

- (1) No date during the period from the date of confirmation of the satisfaction of the Vendor-Initiated Compression Conditions to the next JSCC Business Day falls on a Payment Date of the Cleared Contracts for which the Vendor-Initiated Compression is applied and new Cleared Contracts to be executed as a result of Vendor-Initiated Compression or the settlement date of Upfront Fee; and
- (2) New Cleared Contracts to be executed as a result of Vendor-Initiated Compression satisfy the requirements for Eligible IRS Transactions set forth in Article 9.

3 JSCC shall confirm the satisfaction of the Vendor-Initiated Compression Conditions pursuant to the provisions of Article 53-2-2.2 of the Business Rules by 3:30 p.m. on the

day of application.

- 4 Upon JSCC's confirmation of deposit with or delivery to JSCC of the Required Intraday Margin prescribed in Article 53-2-2.2 of the Business Rules with respect to Customer's Cleared Contracts subject to the application for the Vendor-Initiated Compression, the amount of Customer Buffer allocated to the Customer Account related to such Customer's Cleared Contracts shall be included in the deposited amount for the purpose of confirmation of shortfall.
- 5 Claims and obligations to be designated by JSCC under Article 53-2-2.3 of the Business Rules are claims and obligations related to Cash Settlement Amount of which deposit or payment related to Foreign Currency Cleared Contracts subject to the application for Vendor-Initiated Compression which have already been due has not been completed at the time of confirmation of the satisfaction of the Vendor-Initiated Compression Conditions set forth in Article 53-2-2.2 of the Business Rules.
- 6 The time prescribed under Article 53-2-2.4 of the Business Rules shall be 3:30 p.m. on the date of JSCC's confirmation of the satisfaction of the Vendor-Initiated Compression Conditions.
- 7 The hours prescribed by JSCC during which JSCC does not receive any request for Clearing under Article 53-2-2.5 of the Business Rules shall be from 1:00 p.m. to 3:30 p.m. on the date of Vendor-Initiated Compression, provided that if JSCC confirms a conclusion of Vendor-Initiated Compression during such hours, then JSCC shall promptly resume receipt of notifications of request for Clearing.
- 8 The Unwind Fee set forth in Article 53-2-2.6 of the Business Rules shall be settled on the second JSCC Business Day following the conclusion of Vendor-Initiated Compression between JSCC and the Clearing Participant which is the party to the Cleared Contracts terminated as a result of the Vendor-Initiated Compression.
- 9 Notwithstanding the provisions of Paragraphs 3, 6 and 7, JSCC may temporarily change the cut-off time set forth in said Paragraphs as JSCC deems necessary. In such case, JSCC shall notify all Clearing Participants of such temporary change and the new cut-off time.

Article 30-4. Method of Application for Member-Initiated Compression of Cleared Contracts

- 1 A manner to be prescribed by JSCC under Article 53-2-3.1 of the Business Rules shall be the manner prescribed by JSCC through a notice or public notice.
- 2 The requirement prescribed under Article 53-2-3.2 of the Business Rules shall be as follows:

- (1) No date during the period from the date of confirmation of the satisfaction of the Member-Initiated Compression Conditions to the next JSCC Business Day falls on a Payment Date of the Cleared Contracts for which the Member-Initiated Compression is applied and new Cleared Contracts to be executed as a result of Member-Initiated Compression;
  - (2) New Cleared Contracts to be executed as a result of Member-Initiated Compression satisfy the requirements for Eligible IRS Transactions set forth in Article 9 (other than that set forth in Article 9.(10));
  - (3) The Notional Amount of new Cleared Contracts to be executed as a result of Member-Initiated Compression is constant throughout the Term;
  - (4) The settlement date of Upfront Fee for the Cleared Contracts for which the Member-Initiated Compression is applied and new Cleared Contracts to be executed as a result of Member-Initiated Compression is on or before the date of confirmation of Member-Initiated Compression Conditions; and
  - (5) Within the sum total of an expected future cashflow and other economic terms, those designated by JSCC through a notice or public notice of the Cleared Contracts to terminate as a result of Member-Initiated Compression and new Cleared Contract to be executed as a result of Member-Initiated Compression match.
- 3 JSCC shall confirm the satisfaction of the Member-Initiated Compression Conditions pursuant to the provisions of Article 53-2-3.2 of the Business Rules promptly after 4:00 p.m. on the day of JSCC's receipt of an application for Member-Initiated Compression made pursuant to the provisions of Article 53-2-3.1 of the Business Rules.
  - 4 Upon JSCC's confirmation of deposit with or delivery to JSCC of the Margin Required to Clear prescribed in Article 53-2-3.2 of the Business Rules with respect to Customer's Cleared Contracts subject to the application for the Member-Initiated Compression, the amount of Customer Buffer allocated to the Customer Account related to such Customer's Cleared Contracts shall be included in the deposited amount for the purpose of confirmation of shortfall.
  - 5 Claims and obligations to be designated by JSCC under Article 53-2-3.3 of the Business Rules are claims and obligations related to Cash Settlement Amount of which deposit or payment related to Foreign Currency Cleared Contracts subject to the application for Member-Initiated Compression which have already been due has not been completed at the time of confirmation of the satisfaction of the Member-Initiated Compression Conditions set forth in Article 53-2-3.2 of the Business Rules.

- 6 The Unwind Fee set forth in Article 53-2-3.5 of the Business Rules shall be settled on the second JSCC Business Day following the conclusion of Member-Initiated Compression between JSCC and the Clearing Participant or the Representative Clearing Participant and the Collaborating Clearing Participants, as applicable, which is(are) the party to the Cleared Contracts terminated as a result of the Member-Initiated Compression.
- 7 When JSCC deems it necessary due to causes such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business, JSCC may forgo confirmation of the satisfaction of Member-Initiated Compression Conditions or change the time to confirm the satisfaction of Member-Initiated Compression Conditions. In this case, JSCC shall promptly notify Clearing Participants (or Representative Clearing Participant and Collaborating Clearing Participants) of its determination of forgoing such confirmation or changing time of such confirmation, and the time so changed, without delay.

Article 30-4-2. Method of Application for JSCC-Initiated Compression of Cleared Contracts

- 1 To express its intention to JSCC as set forth in Article 53-2-4.1 of the Business Rules, the Clearing Participant shall submit the form prescribed by JSCC by the time designated by JSCC at each occasion for the Cleared Contract to be covered by JSCC-Initiated Compression which shall be Proprietary Cleared Contract or Cleared Contract of Customer in the same Corporate Group as the Clearing Broker.
- 2 A manner to be prescribed by JSCC under Articles 53-2-4.2 and 53-2-4.7 of the Business Rules shall be the manner of designating the Cleared Contracts recorded on the Propriety Account or Customer Account in respect of which it intends to carry out the JSCC-Initiated Compression by using IRS Clearing System.
- 3 A manner to be prescribed by JSCC under Article 53-2-4.4 of the Business Rules shall be the manner of the Clearing Participant submitting the form prescribed by JSCC to JSCC by 10:00 a.m. on the day on which JSCC confirms a satisfaction of JSCC-Initiated Compression Conditions.
- 4 The requirement prescribed under Article 53-2-4.4 of the Business Rules shall be as follows:
  - (1) The Cleared Contracts covered by the application for JSCC-Initiated Compression and the Cleared Contracts to come into effect as a result of JSCC-Initiated Compression are JPY Cleared Contracts with constant Notional Amount exchanging Fixed Amount and Floating Amount;
  - (2) No date during the period from the date of confirmation of the satisfaction of the JSCC-Initiated Compression Conditions to the next JSCC Business Day falls on a Payment Date of the Cleared Contracts for which the JSCC-Initiated

Compression is applied and new Cleared Contracts to be executed as a result of the JSCC-Initiated Compression;

- (3) The upfront fee settlement date in respect of the Cleared Contracts for which JSCC-Initiated Compression is applied and new Cleared Contracts to be executed as a result of JSCC-Initiated Compression is before the deadline for expression of intention related to utilization of JSCC-Initiated Compression;
  - (4) The Cleared Contracts covered by the application for JSCC-Initiated Compression are those cleared before the time separately designated by JSCC at each occasion;
  - (5) New Cleared Contracts to be executed as a result of the JSCC-Initiated Compression satisfy the requirements for Eligible IRS Transactions set forth in Article 9 (other than that set forth in Article 9.1.(3));
- 5 JSCC shall confirm the satisfaction of JSCC-Initiated Compression Conditions pursuant to the provisions of Article 53-2-4.4 of the Business Rules promptly after 4:00 p.m. on the day JSCC designates in the notice.
  - 6 Upon JSCC's confirmation of deposit with or delivery to JSCC of the Margin Required to Clear prescribed in Article 53-2-4.4 of the Business Rules with respect to Customer's Cleared Contracts subject to the application for the JSCC-Initiated Compression, the amount of Customer Buffer allocated to the Customer Account related to such Customer's Cleared Contracts shall be included in the deposited amount for the purpose of confirmation of shortfall.
  - 7 The Unwind Fee set forth in Article 53-2-4.8 of the Business Rules shall be settled on the second JSCC Business Day following the conclusion of JSCC-Initiated Compression between JSCC and the Clearing Participant which is the party to the Cleared Contracts terminated as a result of the JSCC-Initiated Compression.
  - 8 If, at the time when JSCC confirmed the satisfaction of JSCC-Initiated Compression Conditions as set forth in Article 53-2-4.4 of the Business Rules, an application for Per-Trade Compression under Article 53.1 of the Business Rules or an application for Blended Rates Compression under Article 53-2.1 of the Business Rules has been submitted in respect of the Cleared Contracts for which application for JSCC-Initiated Compression has been made, JSCC shall give priority to the application for JSCC-Initiated Compression.
  - 9 When agreement of all Clearing Participants who applied for JSCC-Initiated Compression pursuant to Article 53-2-4.2 of the Business Rules cannot be obtained as set forth in Article 53-2-4.4 of the Business Rules or when JSCC deems it necessary due to causes

such as failure of IRS Clearing System or other system of JSCC or other organization necessary to carry out IRS Clearing Business or other unavoidable cause, JSCC may forgo confirmation of the satisfaction of JSCC-Initiated Compression Conditions or change the time to confirm the satisfaction of JSCC-Initiated Compression Conditions. In this case, JSCC shall promptly notify Clearing Participants of its determination of forgoing such confirmation or changing time of such confirmation, and the time so changed, without delay.

Article 30-5. Matters related to Funds to be Settled upon Position Transfer of Proprietary Cleared Contracts

1 The Early Termination Charge and the amount to be paid upon Position Transfer set forth in Article 53-4.1 of the Business Rules shall be calculated separately by the classifications of Cleared Contracts, namely, JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts, in the following manner:

- (1) The Early Termination Charge shall be equal to net Variation Margin to be deposited with the Clearing Participant by JSCC with respect to each of such Cleared Contracts up to the date of such termination (amount deducting the gross receipts from the gross payments of Variation Margin; the same applies in this Article 30-5) plus or minus the interest on the Variation Margin to be paid or received on the JSCC Business Day immediately following such termination (if each of such Cleared Contracts is a Cleared Contract (Settlement Type), Adjustment Amount related to Mark-to-Market Difference to be paid or received on the JSCC Business Day immediately following such termination). If such amount is positive, then JSCC shall pay the Clearing Participant the Early Termination Charge, and if negative, the Clearing Participant shall pay JSCC the Early Termination Charge.
- (2) The amount to be paid upon Position Transfer, which is equal to net Variation Margins deposited with JSCC by the Requesting Clearing Participant (as such term defined in Article 53-3.1) up to the date of termination of the Position Transfer Requested Cleared Contracts (as such term defined in Article 53-4.1 of the Business Rules) plus or minus the interest on the Variation Margin to be paid or received on the JSCC Business Day immediately following such termination, shall be settled between JSCC and the Successor Clearing Broker. (If such Position Transfer Requested Cleared Contracts are Cleared Contracts (Settlement Type), the amount to be paid upon Position Transfer, which is equal to the net Mark-to-Market Difference (amount deducting the gross receipts from the gross payments of Mark-to-Market Difference) paid to JSCC by the Requesting Clearing Participant up to the date of such termination plus or minus the Adjustment Amount related to Mark-to-Market Difference to be paid or received on the JSCC Business Day immediately following such termination, shall be settled. In this case, if such amount is positive, then the amount to be paid upon Position Transfer



shall be paid by JSCC to the Successor Clearing Broker, and if negative, it shall be paid by the Successor Clearing Broker to JSCC.

- 2 JSCC, the Successor Clearing Broker and the Requesting Clearing Participant shall settle the amount to be paid upon Position Transfer and the Early Termination Charge calculated in accordance with the provisions of Paragraph 1 after netting the Cash Settlement Amount on the JSCC Business Day immediately following the date of termination of the Position Transfer Requested Cleared Contract, pursuant to the provisions of Article 53-4.4. (3) of the Business Rules.
- 3 The provisions of Paragraphs 1 and 2 above shall apply *mutatis mutandis* to the case where JSCC calculates the Early Termination Charge and the amount to be paid upon Position Transfer pursuant to the provisions of Articles 58-5.5 and 58-5.7 of the Business Rules. In this case, the reference to "Article 53-4.1" in the main body of Paragraph 1 shall be deemed to be the reference to "Articles 58-5.5 and 58-5.7," and, in Paragraph 1.(2), the reference to "Successor Clearing Broker" in the first sentence shall be deemed to be the reference to "Receiving Clearing Participant (or, in case of Transfer to the Receiving Customer whose Clearing Broker is not the Clearing Broker for the Transferring Customer, the Clearing Broker for the Receiving Customer; the same applies in this Article)"; the reference to "Position Transfer Requested Cleared Contracts (as such term defined in Article 53-4.1 of the Business Rules)" shall be deemed to be the reference to "Customer's Cleared Contracts that shall terminate pursuant to the provisions of the second sentence of Article 58-5.4 of the Business Rules (or, in case of Transfer to the Receiving Customer whose Clearing Broker is not the Clearing Broker for the Transferring Customer, the Customer's Cleared Contracts that shall terminate pursuant to the provisions of the second sentence of Article 58-5.6; the same applies in this Article); the reference to "Requesting Clearing Participant (as such term defined in Article 53-3.1)" shall be deemed to be the reference to "the Clearing Broker for the Transferring Customer"; the reference to "such Position Transfer Requested Cleared Contracts" shall be deemed to be the reference to "Customer's Cleared Contracts that shall terminate pursuant to the provisions the second sentence of Article 58-5.4 of the Business Rules"; the reference to "by the Requesting Clearing Participant" shall be deemed to be the reference to "by the Clearing Broker for the Transferring Customer"; the reference to "to the Successor Clearing Broker" shall be deemed to be the reference to "to the Receiving Clearing Participant"; the reference to "by the Successor Clearing Broker" shall be deemed to be the reference to "by the Receiving Clearing Participant," and, in Paragraph 2, the reference to "Successor Clearing Broker" shall be deemed to be the reference to "Clearing Broker for the Transferring Customer"; the reference to "Requesting Clearing Participant" shall be deemed to be the reference to "Receiving Clearing Participant (or, in case of Transfer to a Receiving Customer whose Clearing Broker is not the Clearing Broker for the Transferring Customer, the Clearing Broker for the Receiving Customer)"; the reference to "Article 53-4.4.(3) of the Business Rules" shall be deemed to be the reference to "Articles 58-5.5 and 58-5.7 of the Business Rules"; and the reference to

“Position Transfer Requested Cleared Contract” shall be deemed to be “Customer’s Cleared Contracts that shall terminate pursuant to the provisions of the second sentence of Article 58-5.4 of the Business Rules.”

- 4 The provisions of Paragraphs 1 and 2 above shall apply mutatis mutandis to the case where JSCC calculates the Early Termination Charge and the amount to be paid upon Position Transfer pursuant to the provisions of Articles 58-7.6 of the Business Rules. In this case, the reference to “Article 53-4.1” in the main body of Paragraph 1 shall be deemed to be the reference to “Articles 58-7.6,” and, in Paragraph 1.(2), the reference to “Successor Clearing Broker” shall be deemed to be the reference to “Clearing Broker for the Receiving Customer”; the reference to “Position Transfer Requested Cleared Contracts (as such term defined in Article 53-4.1 of the Business Rules)” shall be deemed to be the reference to “Proprietary Cleared Contracts that shall terminate pursuant to the provisions of the second sentence of Article 58-7.4 of the Business Rules”; the reference to “Requesting Clearing Participant (as such term defined in Article 53-3.1)” shall be deemed to be the reference to “Transferring Clearing Participant”; the reference to “such Position Transfer Requested Cleared Contracts” shall be deemed to be the reference to “such Proprietary Cleared Contracts”; the reference to “by the Requesting Clearing Participant” shall be deemed to be the reference to “by the Transferring Clearing Participant”; the reference to “to the Successor Clearing Broker” shall be deemed to be the reference to “to the Clearing Broker for the Receiving Customer”; the reference to “by the Successor Clearing Broker” shall be deemed to be the reference to “by the Clearing Broker for the Receiving Customer,” and, in Paragraph 2, the reference to “Successor Clearing Broker” shall be deemed to be the reference to “Clearing Broker for the Receiving Customer”; the reference to “Requesting Clearing Participant” shall be deemed to be the reference to “Transferring Clearing Participant”; the reference to “Article 53-4.4.(3) of the Business Rules” shall be deemed to be the reference to “Articles 58-7.6 of the Business Rules”; and the reference to “Position Transfer Requested Cleared Contracts” shall be deemed to be the reference to “Proprietary Cleared Contracts that shall terminate pursuant to the provisions of the second sentence of Article 58-7.4 of the Business Rules.”

Article 30-6. Matters related to Claims and Obligations Arising as a Result of Position Transfer of Proprietary Cleared Contracts

The terms and conditions designated by JSCC under Article 53-4.2. of the Business Rules shall be designated in a notification or a public notice.

Article 31. Notification related to Clearing Brokerage.

- 1 The notification in respect of the Clearing Brokerage pursuant to Article 54.1 or Article 54-2.1.(1) of the Business Rules shall be made by the affirmation method prescribed in a notification or a public notice or by using electronic trading platform, set forth in Article 27.1.(2).
- 2 The matters prescribed under Article 54.1 or Article 54-2.1.(1) of the Business Rules shall

be those specified by JSCC in a notification or a public notice.

**Article 31-2. Skip Notifications concerning Clearing Brokerage Request**

- 1 The notification to be given in a manner prescribed by JSCC under Article 54-2.4 of the Business Rules, including any notification of a revision of the notified matters, shall be given through a submission to JSCC of the document prescribed by JSCC.
- 2 When a Clearing Broker ceases the treatment of skipping the notifications of Articles 54-2.2 and 54-2.3 of the Business Rules as per the provisions of Article 54-2.4, it shall submit to JSCC the document prescribed by JSCC.

**Article 32. Requirements for Clearing Brokerage Original Transaction**

The requirements prescribed under Article 54.3.(1).c. or Article 54-2.1.(3) of the Business Rules shall be as follows:

- (1) It shall be an IRS Transaction which satisfies the requirements set forth in Article 9, except for those set forth in Article 9.(3); and
- (2) It shall be an IRS Transaction which satisfies any other requirements prescribed by JSCC in a public notice.

**Article 33. Execution of IRS Transaction through Clearing Brokerage.**

- 1 The IRS Transaction between the Clearing Broker acting for the account of a Customer and the Designated Counterparty as set forth in Article 55.1 or Article 55-2.(1) of the Business Rules shall come into effect in accordance with Article 55.1 or Article 55-2.(1) of the Business Rules, as the case may be, on condition that such Customer and such Designated Counterparty, or, if such Designated Counterparty is a Clearing Broker for another Customer, such another Customer, notify JSCC, by the affirmation method prescribed by JSCC in a notification or a public notice or by using an electronic trading platform, as set forth in Article 27.1.(2), of the matters specified by JSCC in a notification or a public notice, and that JSCC confirms the satisfaction of the Clearing Requirements, effective as of the time of JSCC's such confirmation.

**Article 33-2. Application for Exchanging Mark-to-Market Difference**

The method to be prescribed by JSCC under Article 55-3 of the Business Rules shall be prescribed by JSCC in a notification or a public notice.

**Article 34. Terms and Conditions to be Identical to Those of Clearing Brokerage Original Transaction**

- 1 The criteria for limits to be set by JSCC under Article 54.3.(2) or Article 54-2.1.(3) of the Business Rules shall be the limits on risk inherent to each Customer Account as set by JSCC in a notification.
- 2 The terms and conditions prescribed by JSCC under Article 54.4.(1) or 54-2.1.(4).i. and

Article 55.1 or Article 55-2.1.(1) of the Business Rules shall be prescribed by JSCC in a public notice.

Article 35. Treatment of Customer's Cleared Contracts upon Termination of Clearing Brokerage Contracts

- 1 An event under Article 55.4 or Article 55-2.(4) of the Business Rules shall be the termination of all Clearing Brokerage Contracts in accordance with the Clearing Brokerage Agreement.
- 2 The point of time prescribed under Article 55.4 or Article 55-2.(4) of the Business Rules shall be the next JSCC Business Day following the day on which JSCC receives a notification from a Clearing Broker of the termination of Clearing Brokerage Contracts.

Article 35-2. Application for Vendor-Initiated Compression in respect of Customer's Cleared Contracts

- 1 The method to be prescribed under Article 57.1 of the Business Rules shall be prescribed by JSCC in a notification or a public notice.
- 2 The substance to be prescribed under Article 57-2.2 of the Business Rules shall be prescribed by JSCC in a notification or a public notice.

Article 35-2-2. Application for Member-Initiated Compression in respect of Customer's Cleared Contracts

- 1 The method to be prescribed under Article 57-3.1 of the Business Rules shall be prescribed by JSCC in a notification or a public notice.
- 2 The substance to be prescribed under Article 57-4.2 of the Business Rules shall be prescribed by JSCC in a notification or a public notice.

Article 35-3. Matters related to Funds to be Settled upon Position Transfer

- 1 The Early Termination Charge and the amount to be paid upon Position Transfer set forth in Article 58-3.1 of the Business Rules shall be calculated separately by the classifications of Cleared Contracts, namely, JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts, in the following manner:
  - (1) The Early Termination Charge shall be equal to net Variation Margin (amount deducting the gross receipts from the gross payments of Variation Margin; the same applies in this Article 35-3) to be deposited with the Clearing Participant by JSCC with respect to each of such Cleared Contracts up to the date of such termination plus or minus the interest on the Variation Margin to be paid or received on the JSCC Business Day immediately following such termination (if each of such Cleared Contracts is a Cleared Contract (Settlement Type), the amount plus or minus the Adjustment Amount related to Mark-to-Market

Difference to be paid or received on JSCC's Business Day immediately following such termination). If such amount is positive, then JSCC shall pay the Clearing Participant the Early Termination Charge, and if negative, the Clearing Participant shall pay JSCC the Early Termination Charge.

- (2) The amount to be paid upon Position Transfer, which is equal to net Variation Margins deposited with the Carrying Clearing Broker by the Customer up to the date of termination of the Relevant Cleared Contracts (as such term defined in Article 58-2.3 of the Business Rules) plus or minus the interest on the Variation Margin to be paid or received on the JSCC Business Day immediately following such termination (If such Position Transfer Requested Cleared Contracts are Cleared Contracts (Settlement Type), the amount to be paid upon Position Transfer which is equal to the net Mark-to-Market Difference posted to JSCC by the Requesting Clearing Participant up to the date of such termination (amount deducting the gross receipts from the gross payments of Mark-to-Market Difference) plus or minus the Adjustment Amount related to Mark-to-Market Difference to be paid or received on JSCC Business Day immediately following such termination), shall be settled among JSCC, the Successor Clearing Broker and the Customer. In this case, if such amount is positive, then the amount to be paid upon Position Transfer shall be paid by JSCC to the Successor Clearing Broker and by the Successor Clearing Broker to the Customer, and if negative, it shall be paid by the Customer to the Successor Clearing Broker and by the Successor Clearing Broker to JSCC.
- 2 JSCC, the Successor Clearing Broker, the Carrying Clearing Broker and the Customer shall settle the amount to be paid upon Position Transfer and the Early Termination Charge calculated in accordance with the provisions of Paragraph 1 after netting the Cash Settlement Amount on the JSCC Business Day immediately following the date of termination of the Relevant Cleared Contract, pursuant to the provisions of Article 58-3.4.(3) of the Business Rules.

Article 35-4. Matters related to Claims and Obligations Arising as a Result of Position Transfer of Customer's Cleared Contracts

The terms and conditions designated by JSCC under Article 58-3.2.(1) and (2) of the Business Rules shall be designated in a notification or a public notice.

Article 35-4-2. Matters related to Claims and Obligations upon Position Transfer or Transfer

The claims and obligations to be designated by JSCC under Articles 53-4.3, 58-3.3, 58-5.4, 58-5.6 and 58-7.4 of the Business Rules shall be, according to the classification specified in below items, claims and obligations specified below which has already become due at the time of confirmation of a deposit or delivery of Margin Required to Clear to JSCC as set forth in Articles 53-4.1, 58-3.1, 58-5.1 and 58-7.1 of the Business

Rules:

- (1) Foreign Currency Cleared Contract  
Claims and obligations related to Cash Settlement Amount of which deposit or payment related to such Cleared Contract has not been completed;
- (2) Clearing Brokerage Contract related to Foreign Currency Cleared Contract  
Claims and obligations related to Settlement Amount for which payment under the relevant Clearing Brokerage Contract has not been completed.

Article 35-4-3. Matters related to Claims and Obligations Arising as a Result of Transfer of Clearing Brokerage Contracts or Proprietary Cleared Contracts

The terms and conditions to be prescribed by JSCC as set forth in Articles 58-5.4, 58-5.6 and 58-7.4 of the business Rules shall be designated in a notification or a public notice.

Article 35-4-4. Matters related to Margin Required to Clear upon Position Transfer or Transfer)

- 1 Upon confirmation of deposit with or delivery to JSCC of the Margin Required to Clear as prescribed in Article 58-3.1 of the Business Rules, for each of the Carrying Clearing Broker and Successor Clearing Broker, the amount of Customer Buffer allocated to the Customer Account related to the Customer's Cleared Contracts subject to Position Transfer shall be included in the deposited amount for the purpose of confirmation of shortfall.
- 2 Upon confirmation of deposit with or delivery to JSCC of the Margin Required to Clear as prescribed in Article 58-5.1 of the Business Rules, the amount of Customer Buffer allocated to the Customer Account related to the Transferring Customer (and the Receiving Customer when the transfer is made to a Receiving Customer) shall be included in the deposited amount for the purpose of confirmation of shortfall.
- 3 Upon confirmation of deposit with or delivery to JSCC of the Margin Required to Clear as set forth in Article 58-7.1 of the Business Rules, the amount of Customer Buffer allocated to the Customer Account related to the Receiving Customer shall be included in the deposited amount for the purpose of confirmation of shortfall.

Article 35-5. Hedge Account and Non-Hedge Account

For the purpose of Article 59.7 of the Business Rules, if the Customer mainly trades hedging transactions (such term has the same meaning as the "hedging transaction" as used in CFTC Regulation 1.3), the account of such Customer shall be a Hedge Account, and if the Customer mainly trades for purposes other than hedge transactions, the account of such Customer shall be Non-hedge Account, and the notification to JSCC shall be made under Article 59.7 of the Business Rules accordingly.

Article 35-6. Time related to Mark-to-Market Difference

The case prescribed by JSCC under Article 61-2.2 of the Business Rules is the case where the Application for Exchanging Mark-to-Market Difference And Adjustment Amount

pursuant to Article 51-2.1 of the Business Rules is submitted after 4:00 p.m. (including Application for Exchanging Mark-to-Market Difference And Adjustment Amount deemed submitted for Cleared Contracts newly recorded between 5:30 p.m. and 7:00 p.m., pursuant to the provisions in Article 29-2.4), and where the Net Present Value is to be calculated on the day of such Application for Exchanging Mark-to-Market Difference And Adjustment Amount and the time prescribed by JSCC shall be at the time when JSCC confirms satisfaction of VM-as-Settlement Requirements pursuant to the provisions in Article 29-2.4 for such Application for Exchanging Mark-to-Market Difference And Adjustment Amount submitted.

## **Chapter 5 Margin, etc. (Article 36 - 42)**

### **Article 36. Required Initial Margin Calculation Method**

- 1 The calculation methods for Required Initial Margin under Article 64.1 of the Business Rules, for Required Initial Margin of a Customer under Article 65.1 of the Business Rules, for Required Intraday Margin under Article 68.1 of the Business Rules and for Required Intraday Margin of a Customer under Article 69.1 of the Business Rules shall be set forth in Appendix 2 hereto.
- 2 The notification to a Clearing Participant of the Required Initial Margin under Article 64.4 of the Business Rules or of the Required Intraday Margin under Article 68.4 of the Business Rules shall be made via the IRS Clearing System.

### **Article 36-2. Notification of Increase of Required Initial Margin for Customer under Agreement between Clearing Broker and Customer**

- 1 The notification to be prescribed by JSCC as set forth in Article 65-2 of the Business Rules and any notification of a revision to the notified contents shall be given by a submission of the written form prescribed by JSCC to JSCC. In this case, the Clearing Participant intending to give such notification shall have agreed with its Customer subject to such notification on the contents of such notification in advance.
- 2 When lifting the increase of the Required Initial Margin under Article 65-2 of the Business Rules, the notification shall be given by a submission of the written form prescribed by JSCC to JSCC. In this case, the Clearing Participant intending to give such notification shall have agreed with its Customer subject to such notification on the contents of such notification in advance.
- 3 The manner of an increase of the Required Initial Margin to be prescribed by JSCC as set forth in Article 65-2 of the Business Rules shall be the manner of adding the amount obtained by multiplying the rate of increase notified by the Clearing Broker in the

notification of Paragraph 1 by the Required Initial Margin for the Customer subject to such notification to the Required Initial Margin.

- 4 The amount added to the Required Initial Margin pursuant to the provisions of Paragraph 3 shall be aggregated with the Additional Required Initial Margin after the aggregation pursuant to the provisions of Article 25.

Article 37. Return of Initial Margin at Termination of Clearing Brokerage Contract

- 1 Under Article 76.3 of the Business Rules, a Customer may claim the return of Initial Margin when all the Clearing Brokerage Contracts were terminated in accordance with the Clearing Brokerage Agreement, except for the case where JSCC declared the Default of the Clearing Broker with whom such Customer has executed the Clearing Brokerage Agreement.
- 2 In the case of Paragraph 1, JSCC shall deliver the entire amount of Initial Margin deposited by the Customer to its Clearing Broker.
- 3 A Clearing Broker shall apply Initial Margin in the form of Cash delivered by JSCC pursuant to Paragraph 2 remaining after deduction of costs required for conversion to another currency, and the amount of Cash equal to the market value used in the calculation of the appraisal value of Initial Margin in the form of Eligible Securities Collateral delivered by JSCC pursuant to Paragraph 2 or its liquidation proceeds remaining after deduction of cost of the liquidation, to a performance of the outstanding obligations of the Customer to that Clearing Broker in connection with the Clearing Brokerage Contracts (including the outstanding obligations arising out of the termination of the Clearing Brokerage Contracts) and obligations of the Customer owed to the Clearing Broker in connection with the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on the Customer Account in accordance with the Clearing Brokerage Agreement, and return the remaining amount to the Customer.

Article 38. Required Amount of Variation Margin

- 1 The required amount of Variation Margin under Article 78.1 of the Business Rules and the required amount of Variation Margin for Customer's Cleared Contracts of which are Cleared Contracts (Collateral Type) under Article 78.2 shall be, according to below-listed denomination currency of Cleared Contract (Collateral Type), determined in the following method:
  - (1) JPY Cleared Contracts:
    - a. Obtain the Net Present Value in respect of the JPY Cleared Contracts which are Cleared Contracts (Collateral Type) as of 4:00 p.m. on the JSCC Business Day immediately preceding the date of calculation. In this calculation, the Clearing Yield Curve at 3:02 p.m. on the same JSCC Business Day shall be used;



- b. Obtain the Net Present Value in respect of the JPY Cleared Contracts which are Cleared Contracts (Collateral Type) as of 4:00 p.m. on the date of calculation. In this calculation, the Clearing Yield Curve at 3:02 p.m. on the date of calculation shall be used.
- c. Then, the difference between the value obtained in a. above and the value obtained in b. above shall be the required amount of Variation Margin.

Any reference to “as of 4:00 p.m.” in this item and Article 38-2 shall be the reference to “as of the time of the confirmation,” when JSCC confirmed a satisfaction of VM-as-Settlement Requirements pursuant to the provisions of Article 51-2.2 of the Business rules, “as the time of the confirmation,” when JSCC confirmed a satisfaction of Per Trade Compression Conditions pursuant to the provisions of Article 53.2 of the Business Rules, “as of the time of the confirmation,” when JSCC confirmed a satisfaction of Blended Rates Compression Conditions pursuant to the provisions of Article 53-2.2 of the Business Rules, “as of the time of the confirmation,” when JSCC confirmed a satisfaction of Member-Initiated Compression Conditions pursuant to the provisions of Article 53-2-3.2 of the Business Rules, “as of the time of the confirmation,” when JSCC confirmed a satisfaction of JSCC-Initiated Compression Conditions pursuant to the provisions of Article 53-2-4.4 of the Business Rules, and “as of the time of the acceptance,” when accepting an application for Position Transfer or transfer from a Clearing Participant in accordance with the provisions of Article 53-4.1, Article 58-3.1, Article 58-5.1 or Article 58-7.1 of the Business Rules.

(2) AUD Cleared Contracts:

The calculation method described in Item (1) above shall apply, except that “on the JSCC Business Day immediately preceding the date of calculation” in a. above shall be “the day which is JSCC Business Day and Sydney Business Day immediately preceding the date of calculation,” and any reference to “JPY Cleared Contracts” shall be “AUD Cleared Contracts”;

(3) USD Cleared Contracts:

The calculation method described in Item (1) above shall apply, except that “on the JSCC Business Day immediately preceding the date of calculation” in a. above shall be “the day which is JSCC Business Day and New York Business Day immediately preceding the date of calculation,” and any reference to “JPY Cleared Contracts” shall be “USD Cleared Contracts”;

(4) EUR Cleared Contracts:

The calculation method described in Item (1) above shall apply, except that “on the JSCC Business Day immediately preceding the date of calculation” in a. above shall be “the day which is JSCC Business Day and TARGET Settlement Day immediately preceding the date of calculation,” any reference to “Clearing Yield Curve at 3:02 p.m.”

shall be “Clearing Yield Curve as of 11:02 a.m.” and any reference to “JPY Cleared Contracts” shall be “EUR Cleared Contracts”;

- 2 In the calculation of the Net Present Value of JPY Cleared Contract which are Cleared Contracts (Collateral Type) under Paragraph 1.(1), if the calculation is made as of the JSCC Business Day immediately preceding the date of settlement of the Fixed Amount or the Floating Amount, the Fixed Amount or the Floating Amount to be received shall be deducted, and the Fixed Amount or the Floating Amount to be paid shall be added, in the calculation of the Net Present Value.
- 3 The provisions of Paragraph 2 shall apply to the calculation of the Net Present Value of Foreign Currency Cleared Contracts (Collateral Type) set forth in Paragraph 1.(2) through 1.(4), except that any reference to “JPY Cleared Contract” shall be “Foreign Currency Cleared Contract” and “if the calculation is made as of the JSCC Business Day immediately preceding the date of settlement of the Fixed Amount or the Floating Amount” shall be “if the date of settlement of the Fixed Amount or Floating Amount is a Business Holiday and Foreign Currency Home Business Day, and if the calculation is made as of the JSCC Business Day immediately preceding the date of settlement of the Fixed Amount or the Floating Amount.”

#### Article 38-2. Required Amount of Mark-to-Market Difference

- 1 The required amount of Mark-to-Market Difference under Article 78-2 of the Business Rules and the required amount of Mark-to-Market Difference for Customer’s Cleared Contracts of which are Cleared Contracts (Settlement Type) shall be according to the below-listed denomination currency of Cleared Contract (Settlement Type) determined in the following method:

(1) JPY Cleared Contracts:

Obtain the amount equivalent to the Net Present Value in respect of the JPY Cleared Contracts which are Cleared contracts (Settlement Type) as of 4:00 p.m. on the date of calculation. In this calculation, the Clearing Yield Curve at 3:02 p.m. on the date of calculation shall be used and the amount obtained shall be the required amount of Mark-to-Market Difference.

(2) AUD Cleared Contracts:

The calculation method described in Item (1) above shall apply, except that “JPY Cleared Contracts” shall be replaced with “AUD Cleared Contracts”;

(3) USD Cleared Contracts:

The calculation method prescribed in Item (1) above shall apply, except that “JPY Cleared Contracts” shall be replaced with “USD Cleared Contracts”;

(4) EUR Cleared Contracts:

The calculation method prescribed in Item (1) above shall apply, except that “Clearing Yield Curve at 3:02 p.m.” shall be replaced with “Clearing Yield Curve at 11:02 a.m.” and “JPY Cleared Contracts” shall be replaced with “EUR Cleared Contracts” respectively;

- 2 The provisions of Article 38.2 shall apply *mutatis mutandis* to the calculation of the Net Present Value related to JPY Cleared Contracts which are Cleared Contracts (Settlement Type) prescribed in Paragraph 1 (1) above. In this case, “Cleared Contracts (Collateral Type)” shall be replaced with “Cleared Contracts (Settlement Type).”
- 3 The provisions of Article 38.3 shall apply *mutatis mutandis* to the calculation of the Net Present Value related to Foreign Currency Cleared Contracts which are Cleared Contracts (Settlement Type) prescribed in Paragraph 1 (2) to (4) above. In this case, “Cleared Contracts (Collateral Type)” shall be replaced with “Cleared Contracts (Settlement Type).”

Article 39. Deleted

Article 40. Clearing Yield Curve Determination Method

- 1 The data prescribed under Article 79 of the Business Rules shall be the data as specified in each of below items:
  - (1) Quotes related to IRS Transaction, provided by the information provider of IRS Transaction quotes, specified by JSCC in a notification.
  - (2) Fixed Rate for Cleared Contract and other matters specified by JSCC in a notification.
- 2 The Clearing Yield Curve specified under Article 79 of the Business Rules shall be determined by the method specified by JSCC in a notification based on the data set forth in the preceding paragraph.

Article 41. Deleted

Article 42. Calculation of Interest on Variation Margin etc.

- 1 The rate to be prescribed under Article 83.1 of the Business Rules (“Base Rate”) shall be, according to the currency of denomination of the Cleared Contracts (Collateral Type), interest rate described below:
  - (1) JPY Cleared Contracts:  
The weighted average of the overnight unsecured call rate published by the Bank of Japan;
  - (2) AUD Cleared Contracts:  
Australian Overnight Index Average published by the Reserve Bank of Australia;

- (3) USD Cleared Contracts:  
Federal Funds Rate published by the US Federal Reserve Bank; and
  - (4) EUR Cleared Contracts:  
Euro Overnight Index Average published by the European Central Bank.
- 2 Interest on Variation Margin under Article 83.1 of the Business Rules shall be the sum of the amount obtained, according to the currency of denomination of Cleared Contracts (Collateral Type), using the following formula:
- (1) JPY Cleared Contracts  
Variation Margin for JPY Cleared Contracts deposited with JSCC or each Clearing Participant on the JSCC Business Day immediately preceding calculation date  $\times$  Base Rate  $\times$  number of days from the JSCC Business Day immediately preceding calculation date to calculation date/365
  - (2) AUD Cleared Contracts:  
Variation Margin for AUD Cleared Contracts deposited with JSCC or each Clearing Participant on calculation date  $\times$  Base Rate  $\times$  number of days from the JSCC Business Day and Sydney Business Day immediately preceding calculation date to calculation date/365;
  - (3) USD Cleared Contracts:  
Variation Margin for USD Cleared Contracts deposited with JSCC or each Clearing Participant on calculation date  $\times$  Base Rate  $\times$  number of days from the JSCC Business Day and New York Business Day immediately preceding calculation date to calculation date/360
  - (4) EUR Cleared Contracts:  
Variation Margin for EUR Cleared Contracts deposited with JSCC or each Clearing Participant on calculation date  $\times$  Base Rate  $\times$  number of days from the JSCC Business Day and TARGET Settlement Day immediately preceding calculation date to calculation date/360
- 3 Adjustment Amount related to Mark-to-Market Difference under Article 83-2.1 of the Business Rules shall be the sum of the amount obtained, according to the currency of denomination of Cleared Contracts (Settlement Type), using the following formula:
- (1) JPY Cleared Contracts:  
The provisions in Paragraph 2 (1) above shall apply *mutatis mutandis*. In this case, "Variation Margin for JPY Cleared Contracts deposited" shall be replaced with "Mark-to-Market Difference for JPY Cleared Contracts paid"

(2) AUD Cleared Contracts:

The provisions in Paragraph 2 (2) above shall apply *mutatis mutandis*. In this case, "Variation Margin for AUD Cleared Contracts deposited" shall be replaced with "Mark-to-Market Difference for AUD Cleared Contracts paid"

(3) USD Cleared Contracts:

The provisions in Paragraph 2 (3) above shall apply *mutatis mutandis*. In this case, "Variation Margin for USD Cleared Contracts deposited" shall be replaced with "Mark-to-Market Difference for USD Cleared Contracts paid"

(4) EUR Cleared Contracts:

The provisions in Paragraph 2 (4) above shall apply *mutatis mutandis*. In this case, "Variation Margin for EUR Cleared Contracts deposited" shall be replaced with "Mark-to-Market Difference for EUR Cleared Contracts paid"

## **Chapter 5-2 Cross Margining (Article 42-2 – 42-9)**

### **Article 42-2. Notification of Using Cross Margining**

1 A notification to JSCC under Article 84-2.1 of the Business Rules shall be given by a submission to JSCC of a notification form prescribed by JSCC stating the below-listed details of each person specified below. The Clearing Participant intends to submit the notification must have agreed with the persons listed in Items (2), (3) and (4) to the utilization of Cross Margining by the person listed in Item (3):

(1) Clearing Participant

- a. Trading name or company name (including the trading name or company name in English);
- b. Address of its headquarters or principal office; and
- c. Name of the representative.

(2) JGB Futures Clearing Participant which will be Cross Margining Requestor:  
Matters listed in Item (1).a. through c.;

(3) Person to be a Cross Margining User  
Matters listed in Item (1).a. through c.; and

(4) JGB Futures Non-Clearing Participant to whom the person to become Cross Margining User requests brokerage of JGB Futures Contracts or Interest Rate Futures Contracts:  
Matters listed in Item (1).a. through c.

However, matters listed under Item (4) need not be notified unless the person to become Cross Margining User falls on the criteria set forth in Article 2.1.(13)-9.d. of the Business

Rules.

- 2 When a Clearing Participant is not affiliated to the JGB Futures Clearing Participant which will become the Cross Margining Requestor and the Customer is not the JGB Futures Clearing Participant, the Clearing Participant may not submit a notification under this Article 42-2 in respect of such Customer ,as a person to be a Cross Margining User described in Paragraph 1.(3).
- 3 A Clearing Participant may not submit a notification under this Article 42-2 in respect of any person who has already been a Cross Margining User, as a person to be a Cross Margining User described in Paragraph 1.(3).
- 4 The documents considered necessary by JSCC shall be attached to the notification set forth in Paragraph 1.

Article 42-3. Change in Notified Matters for Use of Cross Margining

A notification to be given to JSCC under Article 84-2.2 of the Business Rules shall be given by a submission of the notification form prescribed by JSCC together with the documents considered necessary by JSCC. When changing any of the persons listed in below items related to a Cross Margining User through such notification, the Clearing Participant submitting the notification form must have agreed with the person who will fall on below-listed items after change and the relevant Cross Margining User to the use of the Cross Margining by such Cross Margining User.

- (1) Cross Margining Requestor; or
- (2) JGB Futures Non-Clearing Participant to which the Cross Margining User requests brokerage of JGB Futures Contracts or Interest Rate Futures Contracts.

Article 42-4. Notification of Discontinuance of Using Cross Margining

A notification to be given to JSCC under Article 84-3 of the Business Rules shall be given by a submission of the notification form prescribed by JSCC stating below-listed matters concerning the Cross Margining User intending to discontinue use of Cross Margining and persons listed in Article 42-3 for such Cross Margining User, together with the documents considered necessary by JSCC.

- (1) Trading name or company name (including the trading name or company name in English);
- (2) Address of its headquarters or principal office; and
- (3) Name of the representative.

Article 42-5. Notification Method for Cross Margining Acceptance

A notification of the details of Cross Margining Request under Article 84-4.1 of the Business Rules and a notification of an acceptance or rejection of such request from a Clearing Participant to JSCC under Article 84-4.2 of the Business Rules shall be given via IRS Clearing System.

Article 42-6. Conditions of Accepting Cross Margining

- 1 The conditions to be prescribed by JSCC under Article 84-4.1 of the Business Rules shall be JSCC's confirmation in respect of the Clearing Participant which is the Cross Margining User for the relevant Cross Margining Request to the effect that the amount equivalent to Required Initial Margin for Proprietary Cleared Contracts as of the time of the request calculated in the same manner set forth in Appendix 2.1.(1) on an assumption of covering Positions in JGB Futures Contracts and Positions in Interest Rate Futures Contracts subject to the relevant Cross Margining Request under Cross Margining is less than the amount equivalent to the Required Initial Margin for the Proprietary Cleared Contracts as of the time of the request calculated in the same manner set forth in Appendix 2.1.(1) without regard to the said Positions. For the calculation of the amount equivalent to Initial Margin above, if sudden change in market environment occurs or otherwise JSCC deems necessary from viewpoint of ensuring proper execution of its IRS Clearing Business, such amount may be changed temporarily.
- 2 The provisions of Paragraph 1 shall apply to the case where a Customer is a Cross Margining User, except that any reference to "Clearing Participant" shall be "Customer," any reference to "Appendix 2.1.(1)" shall be "Appendix 2.1.(2)" and any reference to "Proprietary Cleared Contract(s)" shall be "Customer's Cleared Contract(s)."

Article 42-7. Recording Positions in JGB Futures Contracts and Interest Rate Futures Contracts on Clearing Participant Account

- 1 The conditions to be prescribed by JSCC under Article 84-4.3 of the Business Rules shall be JSCC's confirmation in respect of the Clearing Participant which is the Cross Margining User for the relevant Cross Margining Request of either of the following:
  - (1) On the date of acceptance of the cross margining (referred to as "Cross Margining Acceptance Date" in this Article and Article 42-8), the Clearing Participant has deposited with JSCC Cash or Eligible Securities Collateral in the amount at least equal to the Required Initial Margin calculated for the Proprietary Account of the relevant Clearing Participant plus or minus, as applicable, the required amount of Variation Margin, (or, for Variation Margin for Foreign Currency Cleared Contracts, JPY amount obtained by conversion of such required amount of Variation Margin into Japanese yen by using foreign exchange rate prescribed by JSCC through a public notice) and the required amount of Mark-to-Market Difference (or, for Mark-to-Market Difference for Foreign Currency Cleared Contracts, JPY amount obtained by conversion of such required amount of Mark-to-Market Difference into Japanese yen by using foreign exchange rate prescribed by JSCC through a public notice), plus the sum of the amount calculated by converting the Unpaid Amount for the relevant Clearing Participant into Japanese yen pursuant to the provisions of Article 43-3.1 and the amount calculated by converting the Settlement Amount related to the Foreign Currency Cleared Contracts recorded

on the Proprietary Account for which the Payment Date is the relevant Cross Margining Acceptance Date into Japanese yen using foreign exchange rate prescribed by JSCC through a public notice; or

- (2) On the next JSCC Business Day following the Cross Margining Acceptance Date, the Clearing Participant has satisfied the Clearing Requirements set forth in Article 49 of the Business Rules applicable had it applied for Clearing to JSCC pursuant to the provisions of Article 48 of the Business Rules.
- 2 The provisions of Paragraph 1 shall apply when the Cross Margining User is a Customer, except that “the Proprietary Account established for the relevant Clearing Participant” in Item (1) shall be “the Customer Account established for the Customer who is a Cross Margining User for which the Clearing Participant acts as Clearing Broker,” any reference to “deposit” in Item (1) shall be “deposit or delivery,” and “had it applied for Clearing to JSCC” in Item (2) shall be “had it applied for Clearing to JSCC at a request of the Customer.”

Article 42-8. Deletion of Positions of Cross Margined JGB Futures Cleared Contracts and Positions of Cross Margined Interest Rate Futures Cleared Contracts from Clearing Participant Account

- 1 The deletion of record on a Clearing Participant Account under Article 84-4.4 of the Business Rules shall be made if and when JSCC confirms satisfaction of any one of the following conditions:
  - (1) Conditions set forth in Article 42-7.1.(1) (including such provision as being applied pursuant to the provisions of Article 48-7.2) on the next JSCC Business Day following the Cross Margining Acceptance Date;
  - (2) Conditions set forth in Article 42-7.1.(1) (including such provision as being applied pursuant to the provisions of Article 48-7.2) on the second JSCC Business Day following the Cross Margining Acceptance Date; or
  - (3) Conditions set forth in Article 42-7.1.(2) (including such provision as being applied pursuant to the provisions of Article 48-7.2) on the second JSCC Business Day following the Cross Margining Acceptance Date.
2. Notwithstanding the provisions of Paragraph 1, when a new Cross Margining Request has been submitted and accepted on the next JSCC Business Day following the Cross Margining Acceptance Date, the record shall be deleted upon confirmation by JSCC of the conditions set forth in Article 42-7.

Article 42-9. Details of Claims and Obligations to Come into Effect

Details of the claims and obligations which come into effect pursuant to the provisions of Article 84-5.1 of the Business Rules shall be, according to the type of the claims and



obligations, as set forth below:

- (1) Claims and obligations owed by Clearing Participant to JSCC:  
The claims with the identical terms and conditions as the claims that cease to exist pursuant to the provisions of Article 73-15-4 of the Securities and Similar Contracts Business Rules which the Cross Margining Requestor had against JSCC, and the obligations with the identical terms and conditions as the obligations that cease to exist pursuant to the provisions of Article 78-18.1 of the Securities and Similar Contracts Business Rules which the Cross Margining Requestor owed to JSCC;
- (2) Claims and obligations owed by JSCC to Clearing Participant:  
The claims with the identical terms and conditions as the claims that cease to exist pursuant to the provisions of Article 73-15-4 of the Securities and Similar Contracts Business Rules which JSCC had against the Cross Margining Requestor, and the obligations with the identical terms and conditions as the obligations that cease to exist pursuant to the provisions of Article 78-18.1 of the Securities and Similar Contracts Business Rules which JSCC owed to the Cross Margining Requestor.

### **Chapter 5-3 Customer Buffer Framework(Article 42-10 – 42-11)**

#### **Article 42-10. Notification of Customer Buffer Utilization**

The manner to be prescribed by JSCC as set forth in Articles 84-6.1 thru 84-6.4 of the Business Rules shall be the utilization of the IRS clearing system.

#### **Article 42-11. Utilization of Customer Buffer**

- 1 An allocation of the Customer Buffer to a Customer Account as set forth in Article 84-7.1 of the Business Rules shall be made in the order of JSCC's receipt of the notification of request for brokerage of clearing as set forth in Article 54.1 of the Business Rules, including the case where such provisions apply *mutatis mutandis* under Article 54-2.1 of the Business Rules.
- 2 The order of an allocation of the Customer Buffer to Customer Accounts set forth in Article 84-7.2 of the Business Rules shall be from the Customer Account with the smallest Intraday Margin Shortfall under Article 84-7.2.
- 3 The timing to be prescribed under Article 84-7.3 of the Business Rules shall be at the time of calculation of Intraday Margin and just before 5:30 p.m.

- 4 The amount to be prescribed as the amount equivalent to Margin Required to Clear under Article 84-7.3 of the Business Rules shall be the amount equivalent to Margin Required to Clear as of 5:30 p.m. with respect to Cleared Contracts on each Customer Account just before 5:30 p.m. on the date of calculation.
- 5 The timing to be prescribed by JSCC as set forth in Article 84-7.4 of the Business Rules shall be just before 7:00 p.m.

## **Chapter 6 Cash Settlement (Article 43 – 43-2)**

### Article 43. Method of Settlement of Moneys in Japanese Yen

- 1 The payments and receipts of Cash amounts specified under Article 85.1 of the Business Rules shall be the payments and receipts of the following:
  - (1) Variation Margin for JPY Cleared Contracts which are Cleared Contracts (Collateral Type);
  - (1)-2 Mark-to-Market Difference for JPY Cleared Contracts which are Cleared Contracts (Settlement Type);
  - (2) Interests on Variation Margin for JPY Cleared Contracts which are Cleared Contracts (Collateral Type);
  - (2)-2 Adjustment Amount related to Mark-to-Market Difference for JPY Cleared Contracts which are Cleared Contracts (Settlement Type);
  - (3) Upfront Fee for JPY Cleared Contracts;
  - (4) The Fourth Tier Special Clearing Charge Collateral deposited in Japanese yen pursuant to Article 24.(1) of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business;
  - (5) The Fixed Amount for JPY Cleared Contracts;
  - (6) The Floating Amount for JPY Cleared Contracts;
  - (7) The amount to be paid upon Position Transfer set forth in Article 8.5.(1) of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business and the accrued liabilities set forth in Article 8.5.(2) of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business payable in Japanese yen and the amount equivalent to the Cross

Margining MtM Difference set forth in Article 94-3.5.(4) of the Business Rules;

- (8) The Successful Bid Amount set forth in Article 14 of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business payable in Japanese yen;
  - (9) The Early Termination Charge which becomes payable in connection with the termination of JPY Cleared Contracts set forth in Article 97.2 of the Business Rules;
  - (10) Unwind Fee to be settled in Japanese yen;
  - (11) Cross Margining MtM Difference to be settled between JSCC and a Clearing Participant under Article 77-2 of the Business Rules;
  - (12) The Early Termination Charge and the amount to be paid upon Transfer in respect of JPY Cleared Contracts set forth in Articles 53-4.1, 58-3.1, 58-5.5, 58-5.7 and 58-7.6 of the Business Rules.
- 2 The manner prescribed under Article 85.1 of the Business Rules shall be account transfer between the current account in the name of JSCC and that in the name of a Clearing Participant each opened and maintained with the Bank of Japan using BOJ-NET.
- 3 A Clearing Participant may settle Cash amounts as set forth in Paragraph 1 through its agent by submitting to JSCC the document stating the matters required by JSCC and with JSCC's approval, provided that such settlement shall be performed through the current account in the name of such agent opened and maintained with the Bank of Japan.
- 4 The netting as set forth in Article 85.2 of the Business Rules shall be the netting between the gross receipts and the gross payments of the Cash amounts listed in Paragraph 1 of this Article.

#### Article 43-2. Settlement of Moneys in Foreign Currency

- 1 The settlement of Cash set forth in Article 85-4.1 of the Business Rules shall be performed for each classification of Cash listed in below items, by the currency of denomination of Foreign Currency Cleared Contracts, through the bank(s) designated by JSCC in a notice (referred to as "Designated Bank(s)" in this Article and Article 43-3), in the method described below:
- (1) Below Cash shall be settled within Japan through an account in the name of JSCC established at the Designated Bank:
    - a. Variation Margin for Foreign Currency Cleared Contracts which are Cleared Contracts (Collateral Type);
    - a-2. Mark-to-Market Difference for Foreign Currency Cleared Contracts which are Cleared Contracts (Settlement Type);
    - b. Interests on Variation Margin for Foreign Currency Cleared Contracts which

- are Cleared Contracts (Collateral Type);
  - b-2. Adjustment Amount related to Mark-to-Market Difference for Foreign Cleared Contracts which are Cleared Contracts (Settlement Type);
  - c. The Fourth Tier Special Clearing Charge Collateral deposited in currency other than Japanese yen Cash pursuant to Article 24.(1) of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business;
  - d. The amount to be paid upon Position Transfer set forth in Article 8.4.(1) of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business and the accrued liabilities set forth in Article 8.4.(2) of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business payable in currency other than Japanese yen;
  - e. The Successful Bid Amount set forth in Article 14 of the Rules on Default Settlement Regarding Clearing Participants in relation to IRS Clearing Business payable in currency other than Japanese yen;
  - f. The Early Termination Charge which becomes payable in connection with the termination of Foreign Currency Cleared Contracts set forth in Article 97.2 of the Business Rules;
  - g. Unwind Fee to be settled in currency other than Japanese yen; and
  - h. The Early Termination Charge and the amount to be paid upon Transfer set forth in Articles 53-4.1, 58-3.1, 58-5.5, 58-5.7 and 58-7.6 of the Business Rules, other than those related to JPY Cleared Contracts.
- (2) Below Cash shall be settled in the city of settlement for Foreign Currency Cleared Contracts through the account in the name of JSCC established at the Designated Bank:
- a. Upfront Fee for Foreign Currency Cleared Contracts;
  - b. The Fixed Amount for Foreign Currency Cleared Contracts; and
  - c. The Floating Amount for Foreign Currency Cleared Contracts;
- 2 The city of settlement for Foreign Currency Cleared Contracts set forth in Paragraph 1.(2) shall be, according to the below-listed type of the Foreign Currency Cleared Contracts, the following city:
- (1) AUD Cleared Contracts: Sydney
  - (2) USD Cleared Contracts: New York
  - (3) EUR Cleared Contracts: London
- 3 A Clearing Participant shall notify JSCC the Designated Bank for the settlement of Cash set forth in Paragraph 1 by a submission, in advance, of the notification form prescribed by JSCC.
- 4 When a Clearing Participant intends to change matters notified pursuant to the provisions

of Paragraph 2, it shall notify JSCC of such change by a submission, in advance, of the notification form prescribed by JSCC.

- 5 The netting as set forth in Article 85-4.2 of the Business Rules shall be the netting between the gross receipts and the gross payments of the Cash amounts listed in Paragraph 1 of this Article.

Article 43-3. Handling of Fund Settlement Failure for Foreign Currency Cleared Contracts

- 1 Additional charge of Required Initial Margin under Article 85-5.2 of the Business Rules shall be charged by adding, by each of the Proprietary Account and each Customer Account on which Foreign Currency Cleared Contracts causing settlement failure are recorded, the Japanese yen equivalent of the Unpaid Amount converted into Japanese yen by using the foreign exchange rate prescribed by JSCC through public notice to Required Initial Margin for the relevant Proprietary Account or Customer Account.
- 2 After charging additions to Required Initial Margin pursuant to Paragraph 1, if JSCC confirms a completion of a deposit or payment of the Unpaid Amount by the Clearing Participant Failing Settlement to JSCC, JSCC will deduct the amount equal to the additional amount so charged in respect of the Required Initial Margin for the Proprietary Account or Customer Account pursuant to the provisions of Paragraph 1 from the Required Initial Margin for the relevant Proprietary Account or Customer Account.
- 3 Provisions of Paragraphs 1 and 2 shall apply *mutatis mutandis* to the required amount of Intraday Margin.
- 4 The Clearing Participant Failing Settlement shall pay delay penalty to JSCC calculated in the manner prescribed by JSCC in a public notice according to the Unpaid Amount; provided that the payment of delay penalty may not be required at JSCC's discretion due to an unavoidable cause, such as system failure of the Designated Bank.

**Chapter 7 Clearing Deposit (Article 44 - 44-3)**

Article 44. Management of Clearing Deposit

- 1 The manner to be prescribed under Article 87.1 of the Business Rules shall be, depending upon the asset class of the Clearing Deposit (excluding Initial Margin deposited by Customers), as follows:
  - (1) Japanese yen Cash  
To keep it by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business and Initial Margin of Customers in either of the following forms of custody:
    - a. Deposit in bank settlement accounts opened in the name of JSCC by type

of the Clearing Deposit; or

b. In money trust to a bank which engages in trust business,

and to manage it on the accounting book by Clearing Participant and by type of the Clearing Deposit. As used herein, the types of Clearing Deposit are IRS Clearing Fund, Initial Margin, the Third Tier Special Clearing Charge Collateral and Default Contingent Margin.

(1)-2 United States dollar Cash

To keep it by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business and Initial Margin of Customers in either of the following forms of custody:

a. Deposit in bank ordinary accounts opened in the name of JSCC by type of the Clearing Deposit; or

b. In money trust to a bank which engages in trust business,

and to manage it on the accounting book by Clearing Participant and by type of the Clearing Deposit.

(2) Japanese Government Bonds

To keep it by separating from JSCC's proprietary assets in either of the following forms of custody:

a. Record in a segregated account opened and maintained in the name of JSCC with the Bank of Japan under the JGB book-entry system operated by the Bank of Japan; or

b. In trust to a bank which engages in trust business,

and to manage it on the accounting book by Clearing Participant and by type of the Clearing Deposit.

(3) US Treasuries

To keep it by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business and Initial Margin of Customers in either of the following forms of custody:

a. Record in an account opened in the name of JSCC with a bank located in the City of New York, the State of New York, the United States of America; or

b. In trust to a bank which engages in trust business,

and to manage it on the accounting book by Clearing Participant and by type of the Clearing Deposit.

2 The manner of segregation of Initial Margin of Customers other than those set forth in Paragraph 6 below to be prescribed under Article 87.1 of the Business Rules shall be, depending upon the asset class of Initial Margin of Customers, as follows:

(1) Japanese yen Cash

To keep it by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business and Clearing Deposits deposited by Clearing Participants in either of the following forms of custody:

a. Deposit in a bank settlement account opened in the name of JSCC; or

b. In money trust to a bank which engages in trust business,

and to manage it on the accounting book by Customer.

(1)-2 United States dollar Cash

To keep it by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business and Clearing Deposits deposited by Clearing Participants in either of the following forms of custody:

a. Deposit in bank ordinary accounts opened in the name of JSCC by type of the Clearing Deposit; or

b. In money trust to a bank which engages in trust business,

and to manage it on the accounting book by Customer.

(2) Japanese Government Bonds

To keep it by separating from JSCC's proprietary assets in either of the following forms of custody:

a. Record in a segregated account opened and maintained in the name of JSCC with the Bank of Japan under the JGB book-entry system operated by the Bank of Japan; or

b. In trust to a bank which operates trust business,

and to manage it on the accounting book by Customer.

(3) US Treasuries

To keep it by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business and Clearing Deposits deposited by Clearing Participants in either of the following forms of custody:

a. Record in an account opened in the name of JSCC with a bank located in the City of New York, the State of New York, the United States of America; or

b. In trust to a bank which engages in trust business,

and to manage it on the accounting book by Customer.

3 Notwithstanding the provisions of Paragraphs 1 and 2 above, if a notification of such effect is received from a Clearing Participant or a Customer, the manner to be prescribed by JSCC under Article 87.1 of the Business Rules related to Japanese yen Cash deposited by the Clearing Participant or the Customer as IRS Clearing Fund, Initial Margin and Default Contingent Margin shall be the manner to keep it by separating from JSCC's proprietary assets and assets under management of JSCC for other clearing businesses in the form of custody of a deposit in the current account opened in the name of JSCC at the Bank of Japan, which is designated by JSCC, and to manage it on the accounting book for each Clearing Participant or Customer and by the type of Clearing Deposit; provided, however, that the amount of Cash to be held in the manner set forth in this Paragraph shall not be more than the cap prescribed by JSCC in a notification or a public notice, and the portion of such Cash exceeding the cap, if any, shall be held in the manner set forth in Paragraph 1.(1).b or Paragraph 2.(1).b. by separating it according to the classification set forth in Paragraphs 1 and 2, and to manage it on the accounting book kept separately for each Clearing Participant or Customer and by the type of Clearing Deposit.

4 The provisions of Paragraph 3 above shall not apply in the case where the current account JSCC may designate does not exist.

5 The notification to be submitted by a Clearing Participant or a Customer as set forth in Paragraph 3 and any withdrawal thereof shall be made in advance in a manner prescribed by JSCC in a notification or a public notice.

6 The manner of segregation of Initial Margin of a Customer who has concluded the Clearing Brokerage Agreement with a Clearing Participant who is the Futures Commission Merchant ("FCM") as set forth in U.S. Commodity Exchange Act ("FCM Clearing Participant") to be prescribed under Article 87.1 of the Business Rules shall be to keep it, by separating from JSCC's proprietary assets, assets under management of JSCC for other clearing business, Clearing Deposits deposited by Clearing Participants



and Initial Margin deposited by Customers referred to in Paragraph 2 above, under CFTC Regulation 1.49, in trust to a bank engaging in trust business, and to manage it maintaining records by each Customer.

Article 44-2. Clearing Deposit Management

- 1 The management carried out by JSCC as set forth in Article 87.2 of the Business Rules in respect of IRS Clearing Fund, Initial Margin and Default Contingent Margin deposited in Cash by Clearing Participants and Customers with JSCC which is under management pursuant to Article 44.1.(1).b. and Article 44.2.(1).b. will be carried out via any of the following mechanisms:
  - (1) Secured call loan to financial institutions;
  - (2) Loan to the bank engaging in trust business which has accepted trust of IRS Clearing Fund, Initial Margin and Default Contingent Margin;
  - (3) Ordinary deposit with the bank engaging in trust business which has accepted trust of IRS Clearing Fund, Initial Margin and Default Contingent Margin;
  - (4) Time deposit with the bank engaging in trust business which has accepted trust of IRS Clearing Fund, Initial Margin and Default Contingent Margin;
  - (5) Reverse repo transactions with financial institutions; or
  - (6) Investment in JGBs.
- 2 The management carried out by JSCC as set forth in Article 87.2 of the Business Rules in respect of Initial Margin deposited in Cash by a Customer having the Clearing Brokerage Agreement with a FCM Clearing Participant shall be carried out through an ordinary deposit to the bank engaging in trust business which has accepted trust of Initial Margin of said Customer.
- 3 The management carried out by JSCC as set forth in Article 87.2 of the Business Rules in respect of IRS Clearing Fund, Initial Margin and Default Contingent Margin deposited in Cash by Clearing Participants and Customers with JSCC which is under management pursuant to Article 44.1.(1)-2.b. and Article 44.2.(1)-2.b. will be carried out via any of the following mechanisms:
  - (1) Reverse repo transactions with financial institutions;
  - (2) Loan to the banks either:
    - a. engaging in trust business which has accepted trust of IRS Clearing Fund,

Initial Margin and Default Contingent Margin (or their Affiliates; the same applies in this Paragraph); or

b. used for settlements of IRS Clearing Fund, Initial Margin and Default Contingent Margin which are designated by JSCC;

(3) Ordinary deposit with the bank listed in Item (2) above; or

(4) Deposit in the custody account of the bank engaging in trust business which has accepted trust of IRS Clearing Fund, Initial Margin and Default Contingent Margin.

Article 44-3. Treatment of Profit or Loss from Management of Clearing Deposit

- 1 The amount of interest set forth in Article 87.4 of the Business Rules shall be determined by prorating the remaining profit earned from the management after payment of the amount specified by JSCC in a public notice according to the average, over the period designated by JSCC in a public notice, of the sum of IRS Clearing Fund, Initial Margin and Default Contingent Margin deposited in Cash by the Clearing Participant or the Customer (other than those held in the form of a custody of a deposit in the current account opened in the name of JSCC at the Bank of Japan pursuant to the provisions of Article 44.3). The amount of interest under this Paragraph shall be determined separately by the type of currency of Cash deposited as IRS Clearing Fund, Initial Margin and Default Contingent Margin.
- 2 JSCC shall pay interest calculated according to the provisions of Paragraph 1 to Clearing Participants and Customers. Interest payable to a Customer shall be paid to the Clearing Broker for such Customer, which shall then pay the entire amount of interest received from JSCC as interest payable to the Customer to the relevant Customer as interest calculated pursuant to the provisions of Paragraph 1.
- 3 A Clearing Participant's or Customer's share of loss set forth in Article 87.5 of the Business Rules shall be determined by prorating such loss according to the sum of IRS Clearing Fund, Initial Margin and Default Contingent Margin deposited in Cash by the Clearing Participant or the Customer (other than those held in the form of custody of a deposit in the current account opened in the name of JSCC at the Bank of Japan pursuant to the provisions of Article 44.3) as of the date and time specified by JSCC in a public notice. A Clearing Participant's or Customer's share of loss under this Paragraph shall be determined separately by the type of currency of Cash deposited as IRS Clearing Fund, Initial Margin and Default Contingent Margin.
- 4 Under Article 87.6 of the Business Rules JSCC shall prorate the Clearing Participant's or Customer's share of loss obtained pursuant to the provisions of Paragraph 3 according to IRS Clearing Fund, Initial Margin and Default Contingent Margin deposited

in Cash by the Clearing Participant or the Customer as of the date and time set forth in Paragraph 3, and apply IRS Clearing Fund, Initial Margin and Default Contingent Margin deposited in Cash with JSCC to the payment of such loss.

## **Chapter 8 Miscellaneous Provisions (Article 45 - 48)**

### **Article 45. Deleted**

### **Article 46. Method of Notification**

1 The method of notification to be prescribed under Article 125 of the Business Rules shall be as follows:

- (1) Notification to all Clearing Participants when Target-JSCC Site is available:  
The notification shall be given via Target-JSCC Site;
- (2) Notification to all Clearing Participants when Target-JSCC Site is not available:  
The notification shall be given by way of sending written document or facsimile transmission;
- (3) Notification to limited Clearing Participants:  
The notification shall be given by way of sending written document or facsimile transmission or e-mail transmission.

2 Notwithstanding the provisions of Paragraph 1, if the method of notification to Clearing Participants is otherwise specified in a Rule, the provision of such Rule shall prevail unless such method is unavailable, in which case JSCC shall make notification to the Clearing Participants by the method set forth in Paragraph 1.(3).

3 The method of a public notice and a public announcement under Article 125 of the Business Rules shall be the posting on JSCC website.

### **Article 47. Retention of Clearing Participant Agreement**

1 JSCC shall keep an copy of the signed Clearing Participant Agreement and the letter of undertaking referred to in Article 43.2 of the Business Rules for the benefit of the Clearing Broker which is a Financial Instruments Business Operator engaging in securities services that are Type I financial instruments business or the Customer (referred to as the "Information Discloser/Recipient" in this Article 47) as a document evidencing that other Clearing Participant or other Customer, which is a party to a Clearing Brokerage Original Transaction, agreed that the Information Discloser/Recipient receive information related to Clearing Brokerage Original Transaction from the Customer or the Clearing Broker that is the party to the Clearing Brokerage Agreement or the provision by the Information Discloser/Recipient of such information to the Customer or the Clearing Broker.

- 2 The method of retention of the above mentioned Clearing Participant Agreement and the letter of undertaking, how to deal with any inquiry from the Information Discloser/Recipient in relation to the Clearing Participant Agreement and the letter of undertaking and other necessary matters shall be prescribed by JSCC in a notification or a public notice.

Article 47-2. Representation regarding Registration as an FCM or Other Status

When a Clearing Participant falls under any of the following statuses, it shall submit representation to JSCC in advance as prescribed in a public notice;

- (1) where such Clearing Participant intends to be registered as an FCM or deregistered as an FCM;
- (2) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant intends to be registered as FCM or be deregistered as an FCM, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with an FCM;
- (3) where such Clearing Participant will become itself a U.S. Person as set forth in the Interpretive Guidance and Policy Statement regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292 (July 26, 2013) , IV.A.4, as amended or supplemented by the CFTC from time to time ("CFTC Interpretive Guidance") ("U.S. Person"), or ceases to be a U.S. Person; or
- (4) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant will become a U.S. Person or ceases to be a U.S. Person, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with a U.S. Person.

Article 47-3. Matters to be Reported by FCM Clearing Participant

- 1 A FCM Clearing Participant shall provide JSCC with the report in accordance with CFTC Regulation 22.14 (c)(2).
- 2 When FCM Clearing Participant submitted a report to CFTC in accordance with CFTC Regulations Part 17 and Part 20, it shall submit a copy of the same to JSCC.

Article 47-4. Reporting Terms and Conditions of Cleared Contracts

- 1 JSCC shall report the terms, conditions and other data required for its compliance with the laws, regulations of the relevant foreign countries and orders, notifications of, or other means of exercise of the administrative authorities by, the relevant Foreign Government and the like, or agreements with the relevant Foreign Government and the like, which JSCC prescribes in the public notice, to the Foreign Government and the like designated by JSCC in the public notice or entities engaging in a type of business operations similar to the trade data depository business designated by the relevant Foreign Government

and the like. For the purpose of this paragraph, "Foreign Government and the like" means governments, government agencies, local governments and central banks from which JSCC received registration, authorization, designation or other license, or exemption therefrom for its performance of the IRS Clearing service.

- 2 Clearing Participants shall not file reports related to Cleared Contracts under CFTC Regulation Part 45 to Swap Data Repository (as such term defined in Commodity Exchange Act Section 1a (48)) (hereinafter referred to as "SDR").
- 3 Clearing Brokers shall make efforts to prevent its Customers from filing reports set forth in Paragraph 4 above related to Cleared Contracts subject to Brokerage (as such term defined in Article 2.(1) of Exhibit Form 3 "Interest Rate Swap Clearing Brokerage Agreement" or Article 2. (1) of Exhibit Form 3-2 "Interest Rate Swap Clearing Brokerage Agreement") to SDR.

Article 47-5. Submission of Documents to the U.S. Commodity Futures Trading Commission

When JSCC is required by the U.S. Commodity Futures Trading Commission ("CFTC") to submit documents concerning financial calculations and documents concerning risk management in respect of any particular Clearing Participant, JSCC shall submit to CFTC the documents submitted by the Clearing Participant to JSCC in accordance with Article 14 and under reporting requirement in accordance with Article 20 that are relevant.

Article 48. Determination of Necessary Matters concerning IRS Clearing Business

JSCC may specify administrative procedures and other details in relation to the matters set forth in the Rules from time to time by way of issuance of a notification or a public notice.

Supplementary Provisions

- 1 These IRS Procedures shall come into force as of October 9, 2012 (hereinafter referred to as "Date of Enforcement"). Provided, however, that the provisions of Article 3, Article 6, Article 14 and Article 15 hereof shall come into force as of August 20, 2012.
- 2 JSCC may take the actions listed in each item of Paragraph 3 of the supplementary provisions of the Business Rules which shall be done in accordance with the provisions of the same paragraph and may take necessary procedures and perform any other acts and things in relation to those actions even before the respective dates of enforcement set forth in the preceding paragraph pursuant to the applicable provisions of these IRS Procedures.
- 3 Notwithstanding the provisions of Article 15 of these IRS Procedures, the amount of fee for IRS Clearing Qualification shall be JPY 0 in respect of any Applicant to which JSCC

has approved acquisition of such IRS Clearing Qualification within six (6) months of the Date of Enforcement.

- 4 Article 41 of these IRS Procedures shall not apply until lapse of nine (9) months from the Date of Enforcement

#### Supplementary Provisions

These amendments shall come into force as of December 25, 2012.

#### Supplementary Provisions

These amendments shall come into force as of February 25, 2013.

#### Supplementary Provisions

1. These amendments shall come into force as of March 31, 2013.
2. During the period from March 31, 2013 to March 30, 2014, in applying Article 24, Paragraph 3, Item 1, Article 24, Paragraph 6, Item 1 and Article 24, Paragraph 8, Item 2, all as amended, the references to "5.625%" in Article 24, Paragraph 3, Item 1, a., Article 24, Paragraph 6, Item 1, a. and Article 24, Paragraph 8, Item 2, a. shall be read as "4.375%," and the references to "7.5%" in Article 24, Paragraph 3, Item 1, b., Article 24, Paragraph 6, Item 1, b. and Article 24, Paragraph 8, Item 2, b. shall be read as "5.625%."
3. During the period from March 31, 2014 to March 30, 2015, in applying Article 24, Paragraph 3, Item 1, Article 24, Paragraph 6, Item 1 and Article 24, Paragraph 8, Item 2, all as amended, the references to "5.625%" in Article 24, Paragraph 3, Item 1, a., Article 24, Paragraph 6, Item 1, a. and Article 24, Paragraph 8, Item 2, a. shall be read as "5%," and the references to "7.5%" in Article 24, Paragraph 3, Item 1, b., Article 24, Paragraph 6, Item 1, b. and Article 24, Paragraph 8, Item 2, b. shall be read as "6.875%."

#### Supplementary Provisions

These amendments shall come into force as of August 19, 2013.

#### Supplementary Provisions

These amendments shall come into force as of November 25, 2013.

#### Supplementary Provisions

These amendments shall come into force as of February 24, 2014.

#### Supplementary Provisions

These amendments shall come into force as of March 31, 2014.

Supplementary Provisions

These amendments shall come into force as of April 1, 2014.

Supplementary Provisions

These amendments shall come into force as of July 15, 2014.

Supplementary Provisions

These amendments shall come into force as of August 25, 2014.

Supplementary Provisions

- 1 These amendments shall come into force as of November 4, 2014.
- 2 Notwithstanding the provisions of Paragraph 1, the provisions of Article 9.(5).c and Article 9.(9).a., as amended, shall come into force on the date designated by JSCC.  
Note: The date designated by JSCC is December 15, 2014.

Supplementary Provisions

These amendments shall come into force as of November 25, 2014.

Supplementary Provisions

These amendments shall come into force as of the date designated by JSCC.

Note: The date designated by JSCC is November 29, 2014.

Supplementary Provisions

These amendments shall come into force as of May 25, 2015.

Supplementary Provisions

These amendments shall come into force as of May 29, 2015.

Supplementary Provisions

These amendments shall come into force as of September 24, 2015.

#### Supplementary Provisions

- 1 These amendments shall come into force as of October 19, 2015 (hereinafter referred to as "Date of Enforcement").
- 2 Notwithstanding the provisions of Paragraph 1, the provisions of Article 35-4-2 and Exhibit Form 3, as amended, shall come into force as of the date prescribed by JSCC.
- 3 During the period from the Date of Enforcement up to the date prescribed in Paragraph 2, the main body of Article 35-4-2 shall be replaced with the following:  
"The claims and obligations to be designated by JSCC under Articles 53-4.3, 58-3.3 and 58-5.4 of the Business Rules shall be, according to the classification specified in below items, claims and obligations specified below which has already become due at the time of confirmation of a deposit or delivery of Margin Required to Clear to JSCC as set forth in Articles 53-4.1, 58-3.1 and 58-5.1 of the Business Rules:"

#### Supplementary Provisions

1. These amendments shall come into force as of October 26, 2015, until such time as JSCC is registered as a Derivatives Clearing Organization under Section 5b(a) of the U.S. Commodity Exchange Act ("DCO").
2. Notwithstanding Paragraph 1 above, effective only on October 26, 2015, Article 47-2 as amended shall be replaced with the following:

Article 47-2. Representation regarding Registration as an FCM or Other Status

When a Clearing Participant falls under any of the following statuses, it shall submit representation to JSCC promptly as prescribed in a public notice;

- (1) where such Clearing Participant intends to be registered as an FCM or deregistered as FCM, or is registered as an FCM;
- (2) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant intends to be registered as an FCM or be deregistered as an FCM, or is registered as an FCM, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with an FCM;
- (3) where such Clearing Participant will become itself a U.S. Person as set forth in IV.A.1. of the Interpretive Guidance and Policy Statement regarding Compliance



with Certain Swap Regulations, 78 Fed. Reg. 45292 (July 26, 2013)<sup>1</sup> as amended or supplemented by the CFTC from time to time (“CFTC Interpretive Guidance”) (“U.S. Person”), or ceases to be a U.S. Person; or

- (4) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant will become a U.S. Person, is a U.S. Person, or ceases to be a U.S. Person, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with a U.S. Person.

- 3. Notwithstanding the provisions of Paragraph 1 and other Supplemental Provisions, the provisions of Article 44.6, Article 44-2.2 and Article 47-3 of these IRS Procedures shall not apply until such time as JSCC is registered as a DCO.

#### Supplementary Provisions

These amendments shall come into force as of November 24, 2015.

#### Supplementary Provisions

- 1. These amendments shall come into force as of March 1, 2016.
- 2. Notwithstanding Paragraph 1 above, the provisions of Article 47-4.5 and Article 47-4.6 of these Rules, as amended, shall not apply if the Clearing Participants or Customers are required to file reports set forth in Article 47-4.5 or Article 47-4.6, as amended, pursuant to the provisions of U.S. Commodity Exchange Act, CFTC Regulations or other laws and ordinances, or orders, publications, issued documents or other similar documents of CFTC, or if JSCC considers that non-filing of the report pursuant to the amended provisions is inappropriate due to circumstances beyond its control.

#### Supplementary Provisions

- 1. These amendments shall come into force as of April 11, 2016.
- 2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after April 11, 2016.

#### Supplementary Provisions

These amendments shall come into force as of May 23, 2016.

Supplementary Provisions

These amendments shall come into force as of September 30, 2016.

Supplementary Provisions

These amendments shall come into force as of October 11, 2016.

Supplementary Provisions

These amendments shall come into force as of November 28, 2016.

Supplementary Provisions

These amendments shall come into force as of December, 19, 2016.

Supplementary Provisions

These amendments shall come into force as of January 30, 2017.

Supplementary Provisions

These amendments shall come into force as of February 27, 2017.

Supplementary Provisions

These amendments shall come into force as of May 29, 2017.

Supplementary Provisions

These amendments shall come into force as of August 28, 2017.

Supplementary Provisions

These amendments shall come into force as of November 1, 2017.

Supplementary Provisions

These amendments shall come into force as of November 27, 2017.

Supplementary Provisions

These amendments shall come into force as of December 1, 2017.

Supplementary Provisions

These amendments shall come into force as of February 26, 2018.

Supplementary Provisions

These amendments shall come into force as of April 6, 2018.

Supplementary Provisions

These amendments shall come into force as of May 28, 2018.

Supplementary Provisions

These amendments shall come into force as of August 27, 2018.

Supplementary Provisions

1. These amendments shall come into force as of September 25, 2018.

2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date

designated by JSCC which is on or after September 25, 2018.

Supplementary Provisions

These amendments shall come into force as of November 26, 2018.

Supplementary Provisions

These amendments shall come into force as of December 3, 2018.

Supplementary Provisions

These amendments shall come into force as of February 25, 2019.

Supplementary Provisions

1. These amendments shall come into force as of April 1, 2019.

2. The notification from a Clearing Participant or a Customer set forth in Article 44.5 may be submitted as prescribed in the amended rules before the effective date of these amendments.

3. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after April 1, 2019.

Supplementary Provisions

These amendments shall come into force as of April 15, 2019

Supplementary Provisions

These amendments shall come into force as of May 27, 2019

Supplementary Provisions

These amendments shall come into force as of September 1, 2019.

Supplementary Provisions

These amendments shall come into force as of November 25, 2019.

Supplementary Provisions

These amendments shall come into force as of April 1, 2020.

Supplementary Provisions

These amendments shall come into force as of June 1, 2020.

Supplementary Provisions

These amendments shall come into force as of August 24, 2020.

Supplementary Provisions

These amendments shall come into force as of November 24, 2020.

Supplementary Provisions

1. These amendments shall come into force as of May 17, 2021.

2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, the amendments related to Article 8, Articles 30-3 through 30-4-2, Article 35-4-4, Article 36-2, Article 42-10 and Article 42-11, and Article 11-2, Article 28-12 and Article 28-13 of the Exhibit Form 3 and Exhibit Form 3-2 shall come into force as of

the date designated by JSCC which is on or after May 17, 2018.

3. If, in the Clearing Brokerage Agreement between Party A and Party B that have already been concluded in the form of Exhibit Form 3 or Exhibit Form 3-2 before this amendment, Article 54 of Exhibit Form 3 or Exhibit Form 3-2 before amendment has been deleted, Party A and Party B shall be deemed to have agreed, as of the effective date of this amendment, that Party B will not use Application for Exchanging Market-to-Market Difference And Adjustment Amount.

4. If, in the Clearing Brokerage Agreement between Party A and Party B that have already been concluded in the form of Exhibit Form 3 or Exhibit Form 3-2 before amendment, Article 55 of Exhibit Form 3 or Exhibit Form 3-2 before amendment has been deleted, Party A's consent set forth in Article 28-7.1 of such Exhibit Form shall not be deemed to have been given as of the effective date of this amendment.

5. If, in the Clearing Brokerage Agreement between Party A and Party B that have already been concluded in the form of Exhibit Form 3 or Exhibit Form 3-2 before amendment, Article 57 of Exhibit Form 3 or Exhibit Form 3-2 before amendment has been deleted, Party A and Party B shall be deemed to have agreed as of the effective date of this amendment, that Party B does not use JSCC-Initiated Compression.

#### Supplementary Provisions

These amendments shall come into force as of May 24, 2021.

#### Supplementary Provisions

These amendments shall come into force as of August 30, 2021.

#### Supplementary Provisions

1. These amendments shall come into force as of December 6, 2021 (hereinafter referred to as the "Effective Date" ).

2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply

amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after the Effective Date.

3. The Floating Rate Option of the Cleared Contracts existing as of the close of the business on the JSCC Business Day immediately preceding the Effective Date that designate JPY-LIBOR-BBA as their Floating Rate Option will be replaced by JPY-TONA-OIS Compound on the Effective Date in a manner prescribed by JSCC (hereinafter referred to as the “One Time OIS Conversion” ).

4. Notwithstanding the provisions of the preceding 3 paragraphs, if the Floating Rate applicable to the final Calculation Period of the Cleared Contracts is fixed on or before December 31, 2021, those Cleared Contracts that would have otherwise been subject to the One Time OIS Conversion shall not be subject to the One Time OIS Conversion. If this is the case, those Cleared Contracts shall be treated as if there is no amendment to Article 9.

5. Notwithstanding the provisions of Paragraphs 1 and 2 of these Supplementary Provisions, for the period up to December 30, 2021, when a clearing of an IRS Transaction that has come into effect as a result of an exercise of a Swaption and designates JPY-LIBOR or JPY-LIBOR-BBA as its Floating Rate Option is applied for, it shall be handled as if there is no amendment to Article 9. For the purpose of this paragraph and Paragraph 7 below, “Swaption” means the right to have an IRS Transaction come into existence between the parties by the right holder (referring to a party to whom the Swaption is granted) expressing its intention to exercise such right. In this case, in applying the provisions of Article 9, the reference to “JPY-LIBOR-BBA” shall be deemed to have been replaced by “JPY-LIBOR.”

6. The Floating Rate Option of the Cleared Contracts designating JPY-LIBOR as their Floating Rate Option that are cleared pursuant to the provisions of the preceding paragraph and existing as of the close of the business on December 30, 2021 will be replaced by JPY-TONA-OIS Compound on January 4, 2022 in a manner prescribed by JSCC (hereinafter referred to as the “One Time OIS Conversion of Swaption Resultant Transactions” ).

7. For the time being after the implementation of the One Time OIS Conversion of Swaption Resultant Transactions, when a clearing of an IRS Transaction designating JPY-LIBOR or

JPY-LIBOR-BBA as its Floating Rate Option that comes into existence as a result of an exercise of a Swaption is applied for, JSCC deems such application as an application for clearing of an IRS Transaction after replacement of its Floating Rate Option by JPY-TONA-OIS Compound in a manner prescribed by JSCC, and implement such replacement and clearing.

Supplementary Provisions

These amendments shall come into force as of February 21, 2022.

Supplementary Provisions

These amendments shall come into force as of May 23, 2022.

Supplementary Provisions

These amendments shall come into force as of August 22, 2022

Supplementary Provisions

These amendments shall come into force as of November 21, 2022

Supplementary Provisions

These amendments shall come into force as of February 13, 2023

Supplementary Provisions

These amendments shall come into force as of August 21, 2023

Supplementary Provision

1. These amendments shall come into force as of September 19, 2023.

2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by



JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after September 19, 2023.

Supplementary Provision

1. These amendments shall come into force as of November 20, 2023.

Supplementary Provision

1. These amendments shall come into force as of March 4, 2024.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after March 4, 2024.

Supplementary Provision

These amendments shall come into force as of April 1, 2024.

Supplementary Provision

1. These amendments shall come into force as of April 1, 2024.
  2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after April 1, 2024.
- Note: The date designated by JSCC is January 6, 2025.

Supplementary Provisions

1. These amendments shall come into force as of November 25, 2024 (hereinafter referred to as the "Effective Date").
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by

JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after the Effective Date.

3. The Floating Rate Option of the Cleared Contracts existing as of the close of the business on the JSCC Business Day immediately preceding the Effective Date that designate JPY-Euroyen TIBOR as their Floating Rate Option will be replaced by JPY-TONA-OIS Compound on the Effective Date in a manner prescribed by JSCC (hereinafter referred to as the “One Time OIS Conversion”).

4. Notwithstanding the provisions of Paragraph 3, if the Floating Rate applicable to the final Calculation Period of the Cleared Contracts is fixed on or before December 30, 2024, those Cleared Contracts that would have otherwise been subject to the One Time OIS Conversion shall not be subject to the One Time OIS Conversion. If this is the case, those Cleared Contracts shall be treated as if there is no amendment to Article 9.

5. In respect of the One Time OIS Conversion pursuant to Paragraph 3 of this Supplementary Provisions, a Clearing Participant shall pay a fee of 3,500 yen per Cleared Contract subject to the conversion, including Cleared Contracts for its Customers, to JSCC.

6. A Clearing Participant shall pay to JSCC the fee set forth in Paragraph 5 of this Supplementary Provisions by December 20, 2024 together with the amount equal to the applicable consumption tax and local consumption tax.

#### Supplementary Provision

These amendments shall come into force as of July 1, 2025.

**<Appendix 1> Schedule of Prices Used to Determine Value of Eligible Securities Collateral**

Type of Eligible Securities Collateral		Market Price (*1)	Market Price Multiplier (*2)
Japanese Government Bonds	Whose over-the-counter trading reference prices are published by the Japan Securities Dealers Association	Average of the over-the-counter trading reference prices	(1) Interest-bearing Japanese government bond and discount government bond (excluding government bond with floating rate and STRIPs)
	Which are listed on a domestic financial instruments exchange, but whose over-the-counter trading reference prices are not published	The closing price (*4) on the financial instruments exchange (*3)	a. Years to maturity of less than 1 year: 99% b. Years to maturity over 1 year and less than 5 years: 98% c. Years to maturity over 5 year and less than 10 years: 98% d. Years to maturity over 10 year and less than 20 years: 96% e. Years to maturity over 20 year and less than 30 years: 93% f. Years to maturity over 30 years: 92% (2) Government bond with floating rate a. Years to maturity of less than 1 year: 99% b. Years to maturity over 1 year and less than 5 years: 99% c. Years to maturity over 5 year and less than 10 years: 99% d. Years to maturity over 10 year and less than 20 years: 99% (3) STRIPs

			a. Years to maturity of less than 1 year: 99% b. Years to maturity over 1 year and less than 5 years: 98% c. Years to maturity over 5 year and less than 10 years: 98% d. Years to maturity over 10 year and less than 20 years: 96% e. Years to maturity over 20 year and less than 30 years: 93% f. Years to maturity over 30 years: 91%
US Treasuries		The final indicative market price on the New York market on the previous day converted into Japanese Yen by the TTB rate vis-à-vis customers on the Tokyo Foreign Exchange Market of two days before	(1) Years to maturity of less than 1 year: 94% (2) Years to maturity over 1 year and less than 5 years: 92% (3) Years to maturity over 5 year and less than 10 years: 91% (4) Years to maturity over 10 year and less than 20 years: 89% (5) Years to maturity over 20 year and less than 30 years: 88% (6) Years to maturity over 30 years: 88%

- (\*1) The market price on two days before delivery or deposit of the Eligible Securities Collateral (or the day immediately preceding such day if such day is a Business Holiday; such business day convention shall apply in respect of each such day).
- (\*2) In the case where JSCC has reduced the multiplier in order to change to substitute price pursuant to the provisions of Article 7 of the Business Rules, such reduced multiplier shall apply.
- (\*3) In respect of an issue that is listed on multiple financial instruments exchanges, the financial instruments exchange shall be selected in accordance with the order of

priority prescribed by JSCC.

- (\*4) In the case where a final quote is posted on the applicable financial instruments exchange, “closing price” means such final quote.

## **<Appendix 2> Required Initial Margin Calculation Method**

### **1. Required Initial Margin**

(1) Required Initial Margin arising from Proprietary Cleared Contract (other than the case specified in Item (1)-2 below)

- a. The Required Initial Margin arising from a Proprietary Cleared Contract shall be obtained in respect of the Net Present Values, respectively, of the JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts of the Proprietary Account as of 4:00 p.m. (or, when JSCC confirmed the satisfaction of Per Trade Compression Conditions pursuant to the provisions of Article 53.2 of the Business Rules, as of the time of such confirmation, or, when JSCC confirmed the satisfaction of Blended Rates Compression Conditions pursuant to the provisions of Article 53-2.2 of the Business Rules, as of the time of such confirmation, or, when JSCC confirmed the satisfaction of Member-Initiated Compression Conditions pursuant to the provisions of Article 53-2-3.2 of the Business Rules, as of the time of such confirmation, or, when JSCC confirmed the satisfaction of JSCC-Initiated Compression Conditions pursuant to the provisions of Article 53-2-4.4 of the Business Rules, as of the time of such confirmation, or, when accepting an application for Position Transfer or transfer from a Clearing Participant in accordance with the provisions of Article 53-4.1, Article 58-3.1, Article 58-5.1 or Article 58-7.1 of the Business Rules, as of the time of such acceptance; the same applies in this Appendix 2) on the date of the calculation calculated by using the Clearing Yield Curve as of 3:02 p.m. (or as of 11:02 a.m. for EUR Cleared Contracts) on the same date and the present value obtained based on the Settlement Price of the Position of the JGB Futures Contract and the Position of the Interest Rate Futures Contracts with respect of which Cross Margining Acceptance has been given by the Clearing Participant with respect to the relevant Proprietary Account by 6:30 on the date of calculation calculated using the Clearing Price on the same date (hereinafter referred to as "Futures Clearing Price Value"), and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest. However, the Required Initial Margin arising from a Proprietary Cleared Contract may be changed at any time temporarily, when JSCC determines that drastic market change has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC's IRS Clearing Business.
  - (a) Fluctuation of Net Present Value calculated based on the Estimated Fluctuation Yield Curve or fluctuation of the Futures Clearing Price Value calculated based on the Estimated Fluctuation Price; and
  - (b) Amount prescribed by JSCC in a public notice among the fluctuation of Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation

Yield Curve or the fluctuation of the Futures Clearing Price Value calculated based on Stress Event Scenario Estimated Fluctuation Price.

For the purpose of above (a) and (b), the fluctuation of Net Present Value for Foreign Currency Cleared Contracts shall be obtained by reflecting fluctuation of historical foreign exchange rates on the fluctuation of the Net Present Value so calculated.

- b. The “Estimated Fluctuation Yield Curve” set forth in 1.(1)a.(a) above shall be obtained in respect of the quote of the IRS Transaction, etc. used for obtaining the Clearing Yield Curve on the date of the calculation, if such quote fluctuates with the same range as the fluctuation range over five (5) days of the quote of IRS Transaction, etc. used for obtaining the daily Clearing Yield Curve over the last 1,250 JSCC Business Days counted from the date of the calculation. Past fluctuation ranges shall be adjusted by the method prescribed by JSCC through the public notice.
- c. The “Estimated Fluctuation Price” set forth in 1.(1)a.(a) above shall be obtained assuming if the Clearing Price on the date of calculation fluctuates with the same range as the fluctuation range over five (5) days of daily Settlement Price over the last 1,250 JSCC Business Days counted from the date of the calculation. Past fluctuation ranges shall be adjusted by the method prescribed by JSCC through the public notice.
- d. The “Stress Event Scenario Estimated Fluctuation Yield Curve” set forth in 1.(1)a.(b) above shall be obtained in respect of the quote of the IRS Transaction, etc. used for obtaining the Clearing Yield Curve on the date of the calculation, if such quote fluctuates with the same range as the fluctuation range over five (5) days of the quote of IRS Transaction, etc. used for obtaining the daily Clearing Yield Curve over the period of time prescribed by JSCC in a public notice.
- e. The “Stress Event Scenario Estimated Fluctuation Price” set forth in 1.(1)a.(b) above shall be obtained assuming if the Clearing Price on the date of calculation fluctuates with the same range as the fluctuation range over five (5) days of the daily Clearing Price over the period of time prescribed by JSCC in a public notice.
- f. The fluctuation of foreign exchange rate set forth in 1.(1)a. shall be obtained assuming if, in respect of daily quote obtained at 3:00 p.m. in the manner prescribed by JSCC in a public notice, the quote of foreign exchange rate on the date of calculation fluctuates with the same range as the fluctuation range over five (5) days over the last 1,250 JSCC Business Days counted from the date of the calculation. Past fluctuation ranges shall be adjusted by the method prescribed by JSCC through the public notice.
- g. When a Foreign Currency Cleared Contract is recorded on the Proprietary Account, on the second JSCC Business Day preceding the day which is a Foreign Currency Home Business Day related to the relevant Foreign Currency Cleared Contract but is a Business Holiday, the amount calculated based on the provisions of 1.(1)a. to f. above by replacing the references to “the fluctuation range over five (5) days” in 1.(1)a. to f. with “the fluctuation range over the period during which Foreign Currency

Home Business Day related to the Foreign Currency Cleared Contract recorded on the Proprietary Account falls on Business Holiday” shall be added to the Required Initial Margin Amount obtained based on 1.(1)a. to f.

- h. When a Foreign Currency Cleared Contract is recorded on the Proprietary Account, on the JSCC Business Day immediately preceding the date which is the Foreign Currency Home Holiday related to the relevant Foreign Currency Cleared Contract, but is the JSCC Business Day, the amount equivalent to the required amount of Variation Margin or the required amount of Mark-to-Market Difference in respect of the Proprietary Account calculated as if such Foreign Currency Home Holiday is the JSCC Business Day converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice shall be added to or deducted from the Required Initial Margin obtained pursuant to the provisions of 1.(1)a. to f.

(1)-2 Required Initial Margin arising from Proprietary Cleared Contract (when new Proprietary Cleared Contract is executed during the period from 5:30 p.m. to 7:00 p.m.)

a. The Required Intraday Margin of a Proprietary Cleared Contract shall be the amount equivalent to the Initial Margin calculated for the Proprietary Cleared Contracts on the Proprietary Account as at 7:00 p.m. on the date of the calculation adjusted by the amount equivalent to the Variation Margin/Mark-to-Market Difference. However, the Required Initial Margin arising from a Proprietary Cleared Contract may be changed at any time temporarily, when JSCC determines that drastic market change has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC’s IRS Clearing Business.

b. The “amount equivalent to the Initial Margin” set forth in a. above shall be the amount obtained in respect of the Net Present Values, respectively, of the JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts of the Proprietary Account as of 7:00 p.m. on the date of the calculation referred to in a. above calculated by using the Clearing Yield Curve as of 3:02 p.m. (or as of 11:02 a.m. for EUR Cleared Contracts) on the same date and the Futures Clearing Price Value of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on that Proprietary Account, and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest.

- (a) Fluctuation of the Net Present Value calculated based on the Estimated Fluctuation Yield Curve set forth in (1).a.(a) (reflecting historical fluctuation of foreign exchange rate set forth in (1).f for Foreign Currency Cleared Contracts) or fluctuation of Futures Settlement Price Value calculated based on the Estimated Fluctuation Price set forth in (1).c.; and
- (b) Amount prescribed by JSCC in a public notice among the fluctuation of Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation



Yield Curve set forth in (1).a.(b) (reflecting historical fluctuation of foreign exchange rate set forth in (1).f. for Foreign Currency Cleared Contracts) or the fluctuation of Futures Settlement Price Value calculated based on Stress Event Scenario Estimated Fluctuation Price set forth in (1).e.

c. The “amount equivalent to the Variation Margin/Mark-to-Market Difference” set forth in (1)-2.a. above shall be the sum total of the difference, calculated by each currency of the Cleared Contract, between the Net Present Value in respect of the Cleared Contracts as at 4:00 p.m. on the date of calculation calculated based on the Clearing Yield Curve as at 3:02 p.m. (or, in respect of EUR Cleared Contracts, 5:30 p.m.) on the same day and the Net Present Value in respect of the Cleared Contracts as at 7:00 p.m. on the date of calculation calculated based on the Clearing Yield Curve as at 3:02 p.m. on the same day, converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice if Cleared Contracts are Foreign Currency Cleared Contracts.

d. The provisions of (1).g shall apply *mutatis mutandis* to the calculation of the Required Initial Margin under this Item (1)-2, whereby “the amount calculated based on the provisions of 1.(1)a. to f. above” referred to in Section (1).g shall be replaced with “the amount calculated based on the provisions of 1.(1)-2 a to c” and “Required Initial Margin obtained based on 1.(1)a. to f” referred to in Section (1).g shall be replaced with “Required Initial Margin obtained based on 1.(1)-2 a. to c.”

e. The provisions of (1).h shall apply *mutatis mutandis* to the calculation of the Required Initial Margin under this Item (1)-2, whereby “Required Initial Margin obtained based on 1.(1)a. to f” referred to in Section (1).h shall be replaced with “Required Initial Margin obtained based on 1.(1)-2.a. to c.”

(2) Required Initial Margin of Customer's Cleared Contract (limited to those related to Customers other than Customers set forth in Article 94.1 and 94-2.1 of the Business Rules)

The provisions of Section 1.(1) and Section 1.(1)-2 above shall apply *mutatis mutandis* to the calculation of Required Initial Margin of the Customer's Cleared Contract, whereby “the Proprietary Cleared Contracts” referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with “the Customer Cleared Contracts” and “the Proprietary Account” referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with “each Customer Account”.

(3) Required Initial Margin of 'Customer's Cleared Contract (limited to those related to Customers set forth in Article 94.1 and 94-2.1 of the Business Rules ) (excluding such Required Initial Margin related to Non-hedge Account)

The provisions of Section 1.(1) and Section 1.(1)-2 shall apply *mutatis mutandis* to the calculation of Required Initial Margin set forth in this item, whereby “the Proprietary Cleared Contract” referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with “the Customer Cleared Contract,” “the Proprietary Account” referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with “each Customer Account,” and “the fluctuation range over five (5) days” in the said items shall be replaced with “the fluctuation range over seven (7) days” (the Estimated Fluctuation Yield Curve in this item shall be hereinafter referred to as the “Special Estimated Fluctuation Yield Curve,” the Stress Event Scenario Yield Curve in this item shall be hereinafter referred to as the “Stress Event Scenario Special Estimated Fluctuation Yield Curve,” the Estimated Fluctuation Price in this item shall be hereinafter referred to as the “Special Estimated Fluctuation Price” and the Stress Event Scenario Estimated Fluctuation Price in this item shall be hereinafter referred to as the “Stress Event Scenario Special Estimated Fluctuation Price”).

(4) Required Initial Margin related to Non-hedge Account

It shall be the Required Initial Margin obtained pursuant to the provisions of the main body of the immediately preceding item multiplied by 1.1(one point one).

2. Required Intraday Margin

(1) Required Intraday Margin of Proprietary Cleared Contract

a. The Required Intraday Margin of a Proprietary Cleared Contract shall be the amount equivalent to the Initial Margin calculated for the Proprietary Cleared Contracts of the Proprietary Account as at the noon on the date of the calculation adjusted by the amount equivalent to the Variation Margin/Mark-to-Market Difference. However, the Required Intraday Margin of a Proprietary Cleared Contract may be changed at any time temporarily, when JSCC determines that a significant market move has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC’s IRS Clearing Business.

b. The “amount equivalent to the Initial Margin” set forth in 2.(1)a. above shall be obtained in respect of the Net Present Values of JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts on the Proprietary Account calculated by using the Clearing Yield Curve based on the quote as at 11:02 a.m. on the date of calculation set forth in 2.(1).a. above and the present value calculated based on the contract price of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts recorded on the Proprietary Account on the date of calculation (hereinafter referred to as the “Futures Settlement Price Value”), and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest. For the purpose of this

paragraph and Paragraph 3, the contract price shall be the price obtained as “Intraday Settlement Price” set forth in Article 20-4 of the Rules on Margins, etc. for Futures and Option Contracts for the Securities and Similar Contracts Clearing Business which JSCC engages in.

- (a) Fluctuation of the Net Present Value calculated based on the Estimated Fluctuation Yield Curve set forth in 1.(1).b. (reflecting historical fluctuation of foreign exchange rate set forth in 1.(1).f for Foreign Currency Cleared Contracts), fluctuation of Futures Settlement Price Value calculated based on the JGB Futures Estimated Fluctuation Price set forth in 1.(1).c. or fluctuation of Futures Settlement Price Value calculated based on the Interest Rate Futures Estimated Fluctuation Price set forth in 1.(1).c.; and
- (b) Amount prescribed by JSCC in a public notice among the fluctuation of Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation Yield Curve set forth in 1.(1).d. (reflecting historical fluctuation of foreign exchange rate set forth in 1.(1).f for Foreign Currency Cleared Contracts) or the fluctuation of Futures Settlement Price Value calculated based on Stress Event Scenario Estimated Fluctuation Price set forth in 1.(1).e.

c. The “amount equivalent to the Variation Margin/Mark-to-Market Difference” set forth in 2.(1)a. above shall be obtained in respect of the Cleared Contracts as at 4:00 p.m. on the JSCC Business Day immediately preceding the date of calculation, and shall be the sum total of the difference, calculated by each currency of the Cleared Contract, between the Net Present Value calculated based on the Clearing Yield Curve as at 3:02 p.m. (or, in respect of EUR Cleared Contracts, 5:30 p.m. (or 4:30 p.m. when day light saving time is in effect in London)) on the same day and the Net Present Value calculated based on the Clearing Yield Curve as at 11:02 a.m. on the date of calculation of the Cleared Contract set forth in 2.(1)a. above, converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice if Cleared Contracts are Foreign Currency Cleared Contracts.

d. The provisions of 1.(1).g shall apply *mutuatis mutandis* to the calculation of the Required Intraday Margin, whereby “on the second JSCC Business Day preceding the day which is a Foreign Currency Home Business Day” referred to in Section 1.(1).g shall be replaced with “on the JSCC Business day immediately preceding the day which is a Foreign Currency Home Business Day,” “the amount calculated based on the provisions of 1.(1).a. to f. above” referred to in Section (1).g shall be replaced with “the amount calculated based on the provisions of 2.(1).a. to c.” and “Required Initial Margin obtained based on 1.(1).a. to f” referred to in Section (1).g shall be replaced with “Required Intraday Margin obtained based on 2.(1).a. to c.”

e. The provisions of 1.(1).h shall apply *mutuatis mutandis* to the calculation of the Required Intraday Margin, whereby “on the JSCC Business Day immediately preceding the date which is the Foreign Currency Home Holiday” referred to in Section 1.(1).h shall

be replaced with “on the JSCC Business day which is a Foreign Currency Home Holiday” and “Required Initial Margin obtained based on 1.(1).a. to f.” referred to in Section (1).h shall be replaced with “Required Intraday Margin obtained based on 2.(1).a. to c.”

(2) Required Intraday Margin of Customer’s Cleared Contract (limited to those related to Customers other than Customers set forth in Article 94.1 of the Business Rules)

The provisions of Section 2.(1) above shall apply *mutatis mutandis* to the calculation of Required Intraday Margin of the Customer’s Cleared Contract, whereby “the Proprietary Account” referred in Section 2.(1) above shall be replaced with “each Customer Account”.

(3) Required Intraday Margin of Customer’s Cleared Contract (limited to those related to Clearing Customers set forth in Article 94.1 of the Business Rules ) (excluding such Required Intraday Margin related to Non-hedge Account)

The provisions of Section 2.(1) shall apply *mutatis mutandis* to the calculation of Required Intraday Margin set forth in this item, whereby “the Proprietary Account” referred in Section 2.(1) above shall be replaced with “each Customer Account,” “Estimated Fluctuation Yield Curve set forth in Section 1.(1)b. above” in the said item shall be replaced with “Special Estimated Fluctuation Yield Curve set forth in Section 1.(3) above,” “Stress Event Scenario Estimated Fluctuation Yield Curve” shall be replaced with “Stress Event Scenario Special Estimated Fluctuation Yield Curve set forth in Section 1.(3) above,” “Estimated Fluctuation Price” in the said item shall be replaced with “Special Estimated Fluctuation Price set forth in Section 1.(3) above” and “Stress Event Estimated Fluctuation Price” in the said item shall be replaced with “Stress Event Special Estimated Fluctuation Price set forth in Section 1.(3).”

(4) Required Intraday Margin related to Non-hedge Account

It shall be the Required Intraday Margin obtained pursuant to the provisions of the the immediately preceding item multiplied by 1.1(one point one).

### 3 Margins Required to Clear

(1) Margins Required to Clear of Proprietary Cleared Contract

a. The Margins Required to Clear of a Proprietary Cleared Contract shall be the amount equivalent to the Initial Margin calculated for the Cleared Contracts of the Proprietary Account as at the time of receipt by JSCC of the notification of application for Clearings set forth in Article 48.1 of the Business Rules (referred to as “Application Receipt Timing” in this Paragraph 3) and adding the Eligible IRS Transaction subject to the relevant application (or in case of an application for Clearing related to a Package Trade, all Eligible IRS Transactions comprising the Package Trade) and for the Position of JGB

Futures Contracts and Interest Rate Futures Contracts for which Cross Margining Acceptance has been given by the Clearing Participant in respect of the Proprietary Account by 6:30 p.m. on the JSCC Business Day immediately preceding the date of calculation, adjusted by the amount equivalent to the Variation Margin/Mark-to-Marked Difference, and further adding the Unsettled Amount (meaning the absolute value of the net amount obtained pursuant to the provisions of Article 85-2.1.(1) of the Business Rules if such amount is negative), and the Japanese yen equivalent of Variation Margin, excluding Unpaid Amount, related to the Foreign Currency Cleared Contracts of which deposit or payment has not been completed as of the Application Receipt Timing calculated by using foreign exchange rate prescribed by JSCC in a public notice. However, the Required Margin at Clearing may be changed at any time temporarily, when JSCC determines that drastic market change has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC's IRS Clearing Business.

b. The "amount equivalent to the Initial Margin" set forth in 3.(1)a. above shall be obtained in respect of the Net Present Values of the JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts on the Proprietary Account calculated by using the Clearing Yield Curve based on the quote as at 11:02 a.m. of the date of receipt of the application for Clearings referred to in 3.(1)a. above (referred to as the "Application Receipt Date" in the Paragraph 3) (or, if the application for Clearings is received during the period from 9:00 a.m. to noon or the application set forth in Article 27.3 is received, as at 3:02 p.m. on the JSCC Business Day immediately preceding such Application Receipt Date, or, if the application for Clearings is received during the period from 5:30 p.m. to 7:00 p.m., as at 3:02 p.m. (or 11:02 a.m. for EUR Cleared Contracts) on such Application Receipt Date) and the present value (hereinafter referred to as the "Futures Intraday Value") calculated based on the contract price on the date of calculation of the Position of JGB Futures Contracts and Interest Rate Futures Contracts for which Cross Margining Acceptance has been given in respect of the Clearing Participant's Proprietary Account by 6:30 p.m. on the JSCC Business Day immediately preceding the date of calculation (or, if the application for Clearing is received during the period from 9:00 a.m. to noon or the application set forth in Article 27.3 is received, the settlement price on the JSCC Business Day immediately preceding the Application Receipt Date), and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest:

- (a) Fluctuation of the Net Present Value calculated based on the Estimated Fluctuation Yield Curve set forth in Section 1.(1).b, reflecting the fluctuation of the historical foreign exchange rate for Foreign Currency Cleared Contracts, or fluctuation of the Futures Intraday Value calculated based on the Estimated Fluctuation Price set forth in Section 1.(1).c; and
- (b) Amount prescribed by JSCC in a public notice among the fluctuation of the Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation

Yield Curve set forth in Section 1.(1)d, reflecting the fluctuation of the historical foreign exchange rate for Foreign Currency Cleared Contracts, or the fluctuation of the Futures Intraday Value calculated based on the Stress Event Scenario Estimated Fluctuation Price set forth in Section 1.(1).e.

c. The “amount equivalent to the Variation Margin/Mark-to-Market Difference” set forth in 3.(1)a. above shall be obtained in respect of the Cleared Contracts as at 4:00 p.m. on the day immediately preceding the Application Receipt Date, and shall be the difference between the Net Present Value calculated by each currency of the Cleared Contracts based on the Clearing Yield Curve as at 3:02 p.m. on the JSCC Business Day immediately preceding the Application Receipt Date and the Net Present Value calculated by each currency of the Cleared Contracts based on the Clearing Yield Curve as at 11:02 a.m. on the same day (or, if the application for Clearings is received during the period from 9:00 a.m. to noon or the application set forth in Article 27.3 is received, the Clearing Yield Curve as at 3:02 p.m. on the JSCC Business Day immediately preceding such Application Receipt Date, or, if the application for Clearings is received during the period from 5:30 p.m. to 7:00 p.m., as at 3:02 p.m. (or 11:02 a.m. for EUR Cleared Contracts) on such Application Receipt Date), converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice for Foreign Currency Cleared Contracts.

d. The provisions of 1.(1).g shall apply *mutatis mutandis* to the calculation of the Margins Required to Clear, whereby “on the second JSCC Business Day preceding the day which is a Foreign Currency Home Business Day” referred to in Section 1.(1).g shall be replaced with “on the JSCC Business day immediately preceding the day which is a Foreign Currency Home Business Day,” “the amount calculated based on the provisions of 1.(1).a. to f. above” referred to in Section (1).g shall be replaced with “the amount calculated based on the provisions of 3.(1).a. to c.” and “Required Initial Margin obtained based on 1.(1).a. to f.” referred to in Section (1).g shall be replaced with “Margins Required to Clear obtained based on 3.(1).a. to c.”

d. The provisions of 1.(1).h shall apply *mutatis mutandis* to the calculation of the Margins Required to Clear, whereby “on the JSCC Business Day immediately preceding the date which is the Foreign Currency Home Holiday” referred to in Section 1.(1).h shall be replaced with “on the JSCC Business day which is a Foreign Currency Home Holiday” and “Required Initial Margin obtained based on 1.(1).a. to f” referred to in Section (1).h shall be replaced with “Margin Required to Clear obtained based on 3.(1).a. to c.”

(2) Required Margin at Clearing of Customer’s Cleared Contract (limited to those related to Customers other than Customers set forth in Article 94.1 of the Business Rules)

The provisions of Section 3.(1) above shall apply *mutatis mutandis* to the calculation of Required Margin at Clearing of the Customer's Cleared Contract, whereby "the Proprietary Account" referred in Section 3.(1) above shall be replaced with "each Customer Account".

(3) Required Margin at Clearing of Customer's Cleared Contract (limited to those related to Customers set forth in Article 94.1 of the Business Rules ) (excluding such Required Margin at Clearing related to Non-hedge Account)

The provisions of Section 3.(1) shall apply *mutatis mutandis* to the calculation of Required Margin at Clearing set forth in this item, whereby "the Proprietary Account" referred in Section 3.(1) above shall be replaced with "each Customer Account," "Estimated Fluctuation Yield Curve set forth in Section 1.(1)b. above" in the said item shall be replaced with "Special Estimated Fluctuation Yield Curve set forth in Section 1.(3) above," "Stress Event Scenario Estimated Fluctuation Yield Curve" shall be replaced with "Stress Event Scenario Special Estimated Fluctuation Yield Curve set forth in Section 1(3) above," "Estimated Fluctuation Price" in the said item shall be replaced with "Special Estimated Fluctuation Price set forth in Section 1.(3) above," and "Stress Event Scenario Estimated Fluctuation Price" shall be replaced with "Stress Event Scenario Special Estimated Fluctuation Price."

(4) Required Margin at Clearing related to Non-hedge Account

It shall be the Required Margin at Clearing obtained pursuant to the provisions of the immediately preceding item multiplied by 1.1.

**<Appendix 3> Notional Amount related to Criteria for Clearing**

Number of Days to Maturity			Notional (in JPY 0.1bil.)
More than		Up to	
-	~	46 days	6,400
46 days	~	107 days (3 months)	2,100
107 days (3 months)	~	198 days (6 months)	1,200
198 days (6 months)	~	381 days (1 year)	1,100
381 days (1 year)	~	746 days (2 years)	460
746 days (2 years)	~	1,842 days (5 years)	240
1,842 days (5 years)	~	3,668 days (10 years)	170
3,668 days (10 years)	~	10,973 days (30 years)	120
10,973 days (30 years)	~	-	67



**<Exhibit Form 1> Form of Guarantee**

Guarantee

Date:

To [ ], President & CEO of Japan Securities Clearing Corporation

Address \_\_\_\_\_

Trade Name or Company Name \_\_\_\_\_

Name of Representative \_\_\_\_\_ (Seal)

[ ] (hereinafter referred to as the "Company") confirms and accepts the details of the Interest Rate Swap Clearing Business Rules prescribed by JSCC (hereinafter referred to as the "Business Rules"), etc. in advance and submits this Guarantee (hereinafter referred to as this "Guarantee") to JSCC through [ ] (hereinafter referred to as the "Clearing Participant") in accordance with the provisions of Paragraph 5 of Article 8 of the Business Rules. The terms used in this Guarantee shall have the meanings prescribed in the Business Rules unless otherwise provided in this Guarantee.

- 1 The Company is a Parent Company, etc. of the Clearing Participant.
- 2 The Company shall guarantee jointly and severally with the Clearing Participant to JSCC all current and future obligations borne by the Clearing Participant against JSCC in connection with the IRS Clearing Business of JSCC (including but not limited to the obligations relating to the Cleared Contracts to which the Clearing Participant is a Clearing Participant and the indemnity obligation in the case of the determination of the Default. of the Clearing Participant by JSCC).
- 3 The Company shall cooperate with the report or submission of documents by the Clearing Participant or the inspection by JSCC when JSCC requests the Clearing Participant to report or submit documents to JSCC or conducts inspection in respect of the matters concerning the Company pursuant to the provisions of Article 21 of the Business Rules (in the case the said Article is amended in accordance with the Business Rules, the provisions as amended).
- 4 This Guarantee shall be governed by and construed in accordance with the laws of Japan.
- 5 The Company agrees to the exclusive jurisdiction of the Tokyo District Court of Japan for the first instance if any lawsuit arises between JSCC and the Company in relation to this Guarantee.

**<Exhibit Form 2> Clearing Participant Agreement**

Interest Rate Swap Clearing Participant Agreement

Date:

To [       ], President & CEO of Japan Securities Clearing Corporation

Address \_\_\_\_\_  
Trade Name or Company Name \_\_\_\_\_  
Name of the Representative \_\_\_\_\_ (Seal)

[       ] (hereinafter referred to as the "Company") confirms and accepts the details of the Interest Rate Swap Clearing Business Rules prescribed by JSCC (hereinafter referred to as the "Business Rules"), etc. in advance and submits this IRS Participant Agreement (hereinafter referred to as this "Agreement") to JSCC in accordance with the provisions of Article 11 of the Business Rules. The terms used in this Agreement shall have the meanings prescribed in the Business Rules unless otherwise provided in this Agreement.

1 The Company shall abide by and comply with the Rules (in the case the Rules are amended in accordance with the Rules, the Rules as amended) in respect of IRS Clearing Business conducted by JSCC, Cleared Contracts to be executed in accordance with the Rules and other matters prescribed by the Rules.

2 The Company agrees that:

- (1) The provisions of the Rules shall apply to the current and future claims and obligations concerning Cleared Contracts and the matters listed in each item of Paragraph 1 of Article 1 of the Business Rules.
- (2) The provisions of the Rules shall constitute a part of this Agreement.
- (3) In the case the provisions of the Rules are amended in accordance with the Rules, this Agreement shall be automatically amended according to such amendments on the day of such amendments.
- (4) It shall comply with revocation of IRS Clearing Qualification, suspension of new Clearing and any other measures taken by JSCC in accordance with the Rules.
- (5) When the IRS Clearing Qualification of the Company is renounced (including renunciation due to revocation of IRS Clearing Qualification by JSCC), it shall bear any and all responsibilities concerning such renunciation, and shall not cause any inconvenience to JSCC, other Clearing Participants, Customers who designated the Company as their Clearing Broker.
- (6) Customer may make available any information related to Clearing Brokerage Original Transaction to a Clearing Broker and such Clearing Broker may receive such information in an Clearing Brokerage whose Clearing Brokerage Original Transaction is entered into between a Customer acting through a Clearing Broker

which is not the Company on one hand and the Company on the other.

- (7) JSCC will keep an executed copy of this Agreement for the benefit of the Clearing Participant or the Customer referred to in Item (6) above as a document certifying that the Company has agreed to the matters set forth in Item (6) above, and will disclose such executed copy of this Agreement or any substance thereof to such Clearing Participant or the Customer to an extent required by law.
- (8) Unless otherwise set forth in the Rules, this Agreement shall be governed by and construed in accordance with the laws of Japan.

3 This Agreement shall automatically terminate without indication of intention by the parties when the IRS Clearing Qualification of the Company has been renounced; provided, however, if there remain any Contact for Clearing or other rights and obligations between JSCC and the Company or any other rights and obligations under the provisions of the Rules at the termination hereof, the Company shall abide by and comply with the Rules. to the extent pertaining to such rights and obligations.

**<Exhibit Form 3> Clearing Brokerage Agreement (Japanese language original format)**

*( omitted )*

## <Exhibit Form 3-2> Clearing Brokerage Agreement (English language original format)

### Interest Rate Swap Clearing Brokerage Agreement

With an agreement to be bound by the Rules (as defined below), ○○○○ (“Party A”) and ○○○○ (“Party B”) hereby make and enter into this Interest Rate Swap Clearing Brokerage Agreement (this “Agreement”) concerning the Clearing Brokerage (*yuuka shouken tou seisan toritsugi*) in respect of the IRS Transactions to be conducted by Party A for the account of Party B, as follows:

#### Chapter 1 General Provisions

##### Article 1. Purpose

Party A and Party B hereby acknowledge and agree that Party A provides Clearing Brokerage services for IRS Transactions to Party B in accordance with the provisions of this Agreement.

##### Article 2. Definitions

The terms used herein shall have definitions from the Financial Instruments and Exchange Act (Act No.25 of 1948) (*kin'yuu shouhin torihiki hou*) or the Rules (as defined below) and the following items shall be defined as follows:

- (1) “Cleared Contract subject to Brokerage” means a Cleared Contract (*seisan yakujou*) that comes into effect between JSCC and Party A acting as broker for Party B under Clearing Brokerage pursuant to this Agreement;
- (1)-2 “JPY Cleared Contract subject to Brokerage” means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in Japanese yen;
- (1)-3 “Foreign Currency Cleared Contract subject to Brokerage” means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen;
- (2) “Event of Default” means the events specified in Article 29.1 of this Agreement;
- (3) “Early Termination Amount” means the amount of money to be paid or received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts in accordance with the provision of Article 30 or Article 35.1 of this Agreement;
- (4) “Business Rules” means the business rules concerning the Clearing Service for IRS Transactions established by JSCC, as amended;

- (5) “Rules” shall collectively refer to the Business Rules and other rules set by JSCC that are subordinated to the Business Rules, in whatever name and including the amendments thereto if any;
- (6) “JSCC” means Japan Securities Clearing Corporation;
- (6)-2 “AUD Cleared Contract subject to Brokerage” means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in Australian dollars;
- (7) “JSCC Business Day” means any day other than a Business Holiday;
- (8) “Position Transfer” means a process to have new claims and obligations related to Clearing Brokerage Contracts (*seisan itaku torihiki*) to which Party B is a party and the Customer’s Cleared Contracts (*seisan yakujou (itaku bun)*) corresponding to such Clearing Brokerage Contracts accrue among JSCC, a Successor Clearing Broker and Party B, and to pay or receive money and settle claims and obligations in association therewith, in accordance with the provisions of the Rules;
- (9) “Successor Clearing Broker” means a Clearing Participant who has entered into a Clearing Brokerage Agreement with Party B (“Clearing Broker (*jutaku seisan sankasha*)”) that assumes the claims and obligations arising as a result of the Position Transfer.;
- (9)-2 “Profit and Loss before Default” means the amount of Cash calculated pursuant to the provision of Article 35.2 as the amount to be paid and received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Article 35.1.
- (9)-3 “Post-Default Allocated Profit and Loss” means the amount of Cash calculated pursuant to the provision of Article 35.1 as the amount to be paid and received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Article 35.1.
- (9)-4 “USD Cleared Contract subject to Brokerage” means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in United States dollars;
- (10) “Subject Clearing Brokerage Contract” means a legal relationship between Party A and Party B coming into effect as a result of each Clearing Brokerage hereunder, which has the same economic effect as the Cleared Contract subject to Brokerage coming into effect as a result of the said brokerage.

(10)-2 “Subject Clearing Brokerage Contract (Settlement Type)” (*seisan itaku torihiki (kessai gata)*) means a Subject Clearing Brokerage Contract having the same economic effect as Cleared Contracts subject to Brokerage that is a Cleared Contract (Settlement Type) (*seisan yakujou (kessai gata)*);

(10)-3 “Subject Clearing Brokerage Contract (Collateral Type)” (*seisan itaku torihiki (tampo gata)*) means a Subject Clearing Brokerage Contract having the same economic effect as Cleared Contracts subject to Brokerage that is a Cleared Contract (Collateral Type) (*seisan yakujou (tampo gata)*);

(11) “EUR Cleared Contract subject to Brokerage” means a Cleared Contract subject to Brokerage whose Notional Amount and settlement currency are denominated in Euro;

#### Article 3. Submission of Letter of Undertaking

- 1 Immediately after the execution of this Agreement, Party B shall submit to JSCC via Party A a letter of undertaking in the form prescribed by JSCC stating that Party B will comply with this Agreement and the Rules.
- 2 Immediately upon receipt of the letter of undertaking from Party B pursuant to Paragraph 1, Party A shall submit it to JSCC.

#### Article 3-2. Notification of Clearing Brokerage of IRS Transactions in Currencies other than Japanese Yen

When Party B intends to apply for Clearing Brokerage to Party A in respect of an IRS Transaction whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen for the first time, it shall obtain Party A's prior consent.

#### Article 3-3. Amendment to this Agreement

- 1 If JSCC makes an amendment to the Exhibit Form 3-2 to the Handling Procedures of Interest Rate Swap Business Rules (hereinafter referred to as “Form 3-2”) after the execution of this Agreement, this Agreement shall be amended as a matter of course to the terms and conditions of the Form 3-2 as amended as of the effective date of such amendment.
- 2 Upon receipt of JSCC's notification as to an amendment to Form 3-2 pursuant to the provisions of Article 7.2 of the Handling Procedures of Interest Rate Swap Business Rules, Party A shall promptly notify such amended terms and conditions to Party B.

### Chapter 2 Clearing Brokerage

#### Article 4. Clearing Brokerage

- 1 When Party B intends to apply for Clearing Brokerage to Party A, Party B shall notify JSCC,

in the manner set forth in the Rules, of (i) the name of the Clearing Participant who will become the counterparty ("Designated Counterparty") to the IRS Transaction which will come into effect between Party A and the said Designated Counterparty through the Clearing Brokerage and (ii) other matters set forth in the Rules.

- 2 Party A and Party B hereby agree in advance that, when the notification given under Paragraph 1 arrives at JSCC, Party B shall be deemed to have applied for Party A's Clearing Brokerage in respect of the IRS Transaction set forth in Paragraph 1 and Party A shall be deemed to have accepted such application at the time of JSCC's receipt.
- 3 Notwithstanding the provision of Paragraph 2, if Party B does not belong to the same Corporate Group (*kigyō shuudan*) as Party A, then the phrase "and Party A shall be deemed to have accepted such application" in Paragraph 2 shall be deleted.
- 4 Paragraphs 2 and 3 above shall not apply if:
  - (1) the notification given under Paragraph 1 fails to meet conditions prescribed in the Rules; or
  - (2) the contents of the notification set forth in Paragraph 1 are inconsistent with a separate agreement concerning limits on Clearing Brokerage made between Party A and Party B to the extent permitted by the Rules, if any, provided that the terms of such agreement is notified to JSCC in the manner prescribed by JSCC.
- 5 When Party B is deemed to have applied for Clearing Brokerage to Party A pursuant to the provision of Paragraph 2 as amended by the provision of Paragraph 3, and JSCC gives notice concerning such application to Party A in accordance with the provisions of the Rules, Party A shall notify JSCC of its decision as to whether or not it accepts Party B's application for Clearing Brokerage for the IRS Transaction; provided, however, that Party A and Party B hereby agree in advance that if Party A has given, pursuant to the provisions of the Rules, a notification of its desire to skip JSCC's notification to Party A related to the request for Clearing Brokerage and Party A's notification to JSCC of its acceptance or denial of the request for Clearing Brokerage of the IRS Transaction related to such notification, JSCC's notification to Party A related to the request for Clearing Brokerage and Party A's notification to JSCC of its acceptance of the request for Clearing Brokerage shall be deemed to have been given upon arrival of the notification set forth in Paragraph 1 at JSCC.

#### Article 5. Execution of Cleared Contract Subject to Brokerage

- 1 When the notification specified in Article 4.1 of this Agreement arrives at JSCC and Clearing Brokerage is deemed to have been applied for and accepted pursuant to the provision of Article 4.2 of this Agreement, an IRS Transaction of which the terms and conditions in the Rules are identical to the Clearing Brokerage Original Transaction



(*seisan toritsugi gen torihiki*) shall come into effect between Party A for the account of Party B and the Designated Counterparty in the manner as set forth in the Rules.

- 2 Notwithstanding the provision of Paragraph 1, if Party B does not belong to the same Corporate Group as Party A, the phrase "Clearing Brokerage is deemed to have been applied for and accepted pursuant to the provision of Article 4.2 of this Agreement" in Paragraph 1 shall be replaced with the phrase "Party A notifies JSCC of its decision to accept Party B's application for Clearing Brokerage pursuant to the provision of Article 4.5 of this Agreement or JSCC's notification to Party A related to the request for Clearing Brokerage and Party A's notification to JSCC of its acceptance of the request for Clearing Brokerage shall be deemed to have been given pursuant to the proviso of Article 4.5 of this Agreement."
- 3 When an IRS Transaction comes into effect between Party A and the Designated Counterparty pursuant to the provisions of Paragraph 1 or 2, Party A and the Designated Counterparty shall be deemed to have made notification to JSCC requesting Clearing (*saimu futan*) for such IRS Transaction in accordance with the provisions of the Rules.
- 4 When the Cleared Contract subject to Brokerage comes into effect, Party A shall notify Party B of that effect and the details thereof without delay.

#### Article 6. Attribution of Profits and Losses from Cleared Contracts Subject to Brokerage

- 1 All profits and losses resulting from the Cleared Contracts subject to Brokerage shall be attributed to Party B.
- 2 When Party A receives Funds (*kinsen tou*) other than Margin (*shoukokin*) from JSCC in respect of Cleared Contracts subject to Brokerage, it shall deliver such Funds to Party B.
- 3 When Party A owes obligations to pay Funds other than Margin, Special Clearing Charge Collateral (*tokubetsu seisanryou tampokin*), clearing fees and Special Clearing Charges (*tokubetsu seisanryou*) to JSCC in respect of Cleared Contracts subject to Brokerage, Party B shall pay such Funds to Party A.
- 4 Unless otherwise set forth herein, Party A and Party B shall determine by mutual agreement the timing and the manner of the payments and receipts of Funds under the provisions of Paragraphs 2 and 3.

#### Article 7. Application for Exchanging Mark-to-Market Difference And Adjustment Amount

- 1 When Party B intends to instruct Party A to apply for, or to give instruction to withdraw, Application for Exchanging Mark-to-Market Difference And Adjustment Amount in relation to the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type), it shall notify such effect to Party A by the time agreed between Party A and Party B in the manner agreed between Party A and Party B.

- 2 Upon receipt of the above-mentioned notice, Party A shall apply for or withdraw Application for Exchanging Mark-to-Market Difference And Adjustment Amount as instructed by Party B to JSCC in accordance with the provisions of the Rules.

#### Article 8. Payments and Receipts of Settlement Amount

- 1 When Party A is due to pay the Settlement Amount (*kessai kingaku*) to JSCC in connection with a Cleared Contract subject to Brokerage, Party B shall pay to Party A Cash (*kinsen*) in an amount equivalent to the Settlement Amount by the time agreed between Party A and Party B that is at or before the cut-off time of its payment to JSCC, or, in the case of the Settlement Amount for a Foreign Currency Cleared Contract (*gaika date seisan yakujou*), such cut-off time on the next Foreign Currency Home Business Day (*gaika hongoku eigyou bi*) following the date on which the payment by Party A to JSCC becomes due, and in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for its punctual payment in accordance with the first sentence of this paragraph, the payment shall be made by the above-mentioned cut-off time on the JSCC Business Day following the date on which the payment to JSCC becomes due, or, in the case of the Settlement Amount for a Foreign Currency Cleared Contract, the first day which is both the JSCC Business Day and the Foreign Currency Home Business Day following the date on which the payment to JSCC becomes due.
- 2 When Party A receives Settlement Amount from JSCC in connection with Cleared Contracts subject to Brokerage, Party A shall pay to Party B Cash in the amount equivalent to the Settlement Amount by the time agreed between Party A and Party B, or, promptly, absent such agreement, and in the manner agreed between Party A and Party B.

#### Article 9. Clearing Brokerage Account (*seisan toritsugi kouza*)

- 1 Party A shall set up an account ("Party B Clearing Brokerage Account") to manage the details of the Subject Clearing Brokerage Contracts, Initial Margin (*tousho shoukokin*), Customer Initial Margin (*itaku tousho shoukokin*) and Variation Margin (*hendou shoukokin*) related to such Subject Clearing Brokerage Contracts, Positions (*tategyoku*) of the JGB Futures Contracts (*kokusai shouken sakimono torihiki*) and Interest Rate Futures Contracts (*kinri sakimono torihiki*) covered under Cross Margining (*kurosumajin seido*) on Party B's book, Mark-to-Market Difference (*soneki sakin*) and other Funds to be paid or received between Party A and Party B in accordance with this Agreement and the Rules.
- 2 Upon request of Party B, Party A may set up multiple accounts dividing the Party B Clearing Brokerage Account.

#### Article 9-2. Notification of Hedge Account and Non-Hedge Account

Party B shall notify Party A of whether the Customer Account (*itaku torihiki kouza*)

corresponding to Party B Clearing Brokerage Account is Hedge Account (*hejji kouza*) or Non-hedge Account (*non hejji kouza*), in accordance with the provisions of the Rules. Party B shall also give notice to Party A when it changes the types of the Customer Account.

#### Article 10. Fees

Party A may, based on an agreement between Party A and Party B, charge Party B consideration, fees and other money thus agreed for its Clearing Brokerage service and its performance of other obligations under this Agreement, including an amount equal to the Special Clearing Charge paid by Party A, if any.

#### Article 10-2. When Action is Taken against Party A

When an action under Article 29-2.2 of the Business Rules is taken against Party A with respect to Subject Transaction for Clearing (*seisan taishou torihiki*) under Clearing Brokerage for Party B or an action under Article 29-3.1 of the Business Rules is taken against Party A, and if Party A requests that Party B take necessary actions to manage risk of Party B's positions, including actions related to Cross Margined JGB Futures Cleared Contracts (*kurosumajin taishou kokusai sakimono seisan yakujou*) or Cross Margined Interest Rate Futures Cleared Contracts (*kurosumajin taishou kinri sakimono seisan yakujou*), Party B shall take necessary action in response to such request.

### Chapter 3 Margin

#### Section 1 Initial Margin

#### Article 11. Obligation to Deposit Initial Margin

- 1 Party B shall deposit with JSCC Initial Margin other than Intraday Margin (*nitchuu shoukokin*) in an amount not less than the Required Initial Margin (*tousho shoukokin shoyougaku*) in relation to the Cleared Contract subject to Brokerage. If Party A and Party B separately agree otherwise regarding Initial Margin other than Intraday Margin, Party B shall deposit with JSCC the amount calculated under such agreement or the Required Initial Margin, whichever is larger ("Initial Margin Deposit Requirement").
- 2 The Required Initial Margin in respect of Cleared Contracts subject to Brokerage shall be calculated by JSCC in accordance with the Rules and Party A shall notify such Required Initial Margin to Party B, except where the amount of Margin Required to Clear (*saimu futan zi shoyou shoukokin*) for such Cleared Contracts subject to Brokerage is deemed to be equal to the amount of the Required Initial Margin in accordance with the provision of Article 66.3 of the Business Rules.
- 3 JSCC may pay interest on Initial Margin in the manner as set forth in the Rules.

#### Article 11-2. Increase of Required Initial Margin

- 1 With an agreement between Party A and Party B, Party A may give a notification of an increase of the Required Initial Margin related to the Cleared Contracts subject to Brokerage related to Party B and a notification related to change of the notified matter as set forth in Article 65-2 of the Business Rules to JSCC in a manner prescribed in the Rules.
- 2 When lifting the increase of the Required Initial Margin subject to the notification of Paragraph 1 with an agreement between Party A and Party B, Party A shall notify such effect to JSCC in a manner prescribed in the Rules.

#### Article 12. Deposit Method of Initial Margin

- 1 Party B shall deposit Initial Margin with JSCC via Party A acting as its agent in accordance with the provisions of the Rules.
- 2 Party B hereby offers Party A, and Party A hereby accepts, to act on Party B's behalf in respect of a deposit of Initial Margin with JSCC and requesting the return thereof.
- 3 Party A shall deposit with JSCC, as an agent of Party B, all Cash and Eligible Securities Collateral (*daiyou yuuka shouken*) delivered by Party B as Initial Margin in accordance with the provisions of the Rules.

#### Article 13. Cut-Off Time for Deposit of Initial Margin

- 1 When the sum of Cash and the value of Eligible Securities Collateral deposited with JSCC as Initial Margin in respect of Cleared Contracts subject to Brokerage (referred to as "Initial Margin" ) and Cash and the value of Eligible Securities Collateral deposited with Party A as Customer Initial Margin in respect of Subject Clearing Brokerage Contracts (referred to as "Customer Initial Margin") (such sum shall be hereinafter referred to as "Initial Margin and Customer Initial Margin Deposited Amount") falls short of the Initial Margin Deposit Requirement on a JSCC Business Day, Party B shall deposit with Party A the amount equal to such shortfall by the date and time agreed between Party A and Party B that is at or before the cut-off time for deposit to JSCC on the JSCC Business Day following the date of occurrence of such shortfall. If Party A and Party B agreed in advance that it is practically difficult for Party B to put in place operational procedures for depositing such shortfall, Party B shall deposit with Party A such amount by the aforementioned cut-off time on the second JSCC Business Day following the date of occurrence of such shortfall.
- 2 Notwithstanding the provision of Paragraph 1, if the Initial Margin and Customer Initial Margin Deposited Amount is equal to or more than the amount of the Margin Required to Clear calculated by JSCC upon receipt of the application for Clearing, unless otherwise agreed regarding the Initial Margin between Party A and Party B, the Initial Margin Deposit Requirement shall be deemed to be equal to the amount of the Margin Required to Clear.

Article 14. Obligation to Deposit Intraday Margin

- 1 Party B shall deposit with JSCC Cash or Eligible Securities Collateral in the amount not less than the Required Intraday Margin (*nitchuu shoukokin shoyougaku*) in relation to Cleared Contracts subject to Brokerage as Initial Margin. If Party A and Party B separately agree otherwise in respect of Intraday Margin, the amount to be deposited shall be the amount calculated based on such agreement or the Required Intraday Margin, whichever is larger ("Intraday Margin Deposit Requirement").
- 2 The Required Intraday Margin in relation to Cleared Contracts subject to Brokerage shall be calculated by JSCC in accordance with the Rules and Party A shall notify Party B of such requirement, except where the amount of Margin Required to Clear for such Cleared Contracts subject to Brokerage is deemed to be equal to the amount of the Required Intraday Margin in accordance with the provision of Article 70.3 of the Business Rules.

Article 15. Cut-Off Time for Deposit of Intraday Margin

- 1 When the Initial Margin and Customer Initial Margin Deposited Amount falls short of the Intraday Margin Deposit Requirement to be deposited with JSCC, Party B shall deliver to Party A an amount equal to such shortfall by the date and time agreed between Party A and party B that is at or before the cut-off time for deposit with JSCC on the date of occurrence of such shortfall. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place procedures for depositing such shortfall, Party B shall deliver such shortfall to Party A by the aforementioned cut-off time on the second JSCC Business Day following the date of occurrence of such shortfall.
- 2 If the Initial Margin and Customer Initial Margin Deposited Amount is equal to or more than the Margin Required to Clear calculated by JSCC upon receipt of the application for Clearing, Intraday Margin Deposit Requirement shall be deemed to be equal to the amount of Margin Required to Clear, unless otherwise agreed regarding Intraday Margin between Party A and Party B.

Article 16. Substituted Deposit

- 1 Notwithstanding the provision of Article 12 of this Agreement, Party A may retain Japanese yen Cash or Eligible Securities Collateral delivered from Party B as Customer Initial Margin with the prior written consent of Party B.
- 2 In the case of Paragraph 1, Party A shall deposit with JSCC Substituted Initial Margin (*sashikae tousho shoukokin*) in the amount not less than the amount of the Customer Initial Margin delivered from Party B.
- 3 Party A shall pay interest on the Customer Initial Margin accrued at the same interest rate as that applied for the calculation of interest on Initial Margin.

Article 17. Right to Claim Return of Initial Margin

1 Party A and Party B shall respectively have the right to claim the return of Initial Margin from JSCC in the amount as set forth below:

(1) Party B:

The amount equivalent to the sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Cleared Contracts subject to Brokerage; less (i) the outstanding obligation of Party B owed to Party A in respect of the Subject Clearing Brokerage Contracts (including any outstanding obligation arising as a result of the termination of the Subject Clearing Brokerage Contract) or outstanding Early Termination Amount and (ii) the outstanding obligation of Party B owed to Party A in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account.

Notwithstanding the foregoing, in case the amount calculated above as Party B's claim exceeds the sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Cleared Contracts subject to Brokerage less the outstanding obligation of Party A owed to JSCC in respect of Cleared Contracts subject to Brokerage (including any outstanding obligation arising as a result of the termination of Cleared Contracts subject to Brokerage due to Party A's Default (*hatan tou*) or other reason, but excluding obligation owed pursuant to the provision of Article 99-2.2 of the Business Rules) and the outstanding obligation of Party A owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account, Party B's claim shall not cover such excess amount;

(2) Party A:

The amount equivalent to the sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Cleared Contracts subject to Brokerage less the sum of the outstanding obligations of Party A owed to JSCC in connection with the Cleared Contracts subject to Brokerage (including any outstanding obligation arising as a result of the termination of Cleared Contracts subject to Brokerage due to Party A's Default or other reason), the outstanding obligations of Party A owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account and the amount of Party B's claim under Item (1).

2 If the amount of Initial Margin for which there is a right to claim return exceeds the Initial Margin Deposit Requirement or Intraday Margin Deposit Requirement, whichever is most recently calculated, ("Deposit Requirement"), Party B may request that JSCC return Initial Margin up to the excess amount in accordance with the provisions of the Rules.

- 3 Party B shall exercise its right to request the return of Initial Margin via Party A acting as its agent in accordance with the provisions of the Rules, provided however, in the event that JSCC has declared the Default of Party A, Party B shall request the return of Initial Margin directly from JSCC in accordance with the provisions of the Rules.
- 4 Party A shall deliver to Party B all Cash and Eligible Securities Collateral delivered from JSCC as Initial Margin, of which Party B has the right to claim the return, by the time agreed between Party A and Party B, or, promptly, absent such agreement, and in the manner agreed between Party A and Party B.
- 5 Notwithstanding the provision of Paragraph 2, where Party B may request the return of Customer Initial Margin from Party A, Party B shall not request the return of Initial Margin which corresponds to the same Customer Initial Margin from JSCC, except where JSCC has declared the Default of Party A.
- 6 If the Rules set forth otherwise concerning the manner of requesting return of Initial Margin under Paragraphs 1 through 5 above, the manner of request for Initial Margin to the satisfaction of Obligation to be Collateralized and other related matters, the provisions of the Rules shall prevail.

Article 18. Right to Claim Return of Customer Initial Margin

If the amount in which Party B has the right to claim return of Initial Margin exceeds the Deposit Requirement, Party B may request the return of Customer Initial Margin from Party A up to the lesser of (i) such excess amount and (ii) the amount of Customer Initial Margin deposited with Party A, or, if the amount of Initial Margin returned by JSCC to Party B as a result of Party B's request for return of Initial Margin made pursuant to the provisions of the Rules exceeds the amount of Initial Margin deposited with JSCC, the amount of the Customer Initial Margin deposited with Party A less such excess amount.

Article 19. Eligible Securities Collateral

- 1 The prices used to determine the value of the Eligible Securities Collateral shall be calculated by the method set forth in the Rules.
- 2 The manner of depositing the Eligible Securities Collateral and other necessary matters in respect of Eligible Securities Collateral shall be set forth in the Rules.
- 3 Where Party B deposits Eligible Securities Collateral with JSCC or Party A as Initial Margin or Customer Initial Margin, JSCC and Party A shall, when returning Initial Margin or Customer Initial Margin, as the case may be, return to Party B the securities of the same kind, grade and amount as those of the Eligible Securities Collateral deposited, unless otherwise set forth in this Agreement or the Rules.

4 JSCC and Party A may consume the Eligible Securities Collateral deposited by Party B.

## Section 2 Cash Settlement Amount

### Article 20. Variation Margin

1 Party A and Party B shall pay or receive Variation Margin in respect of the relevant currency of the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) on the day specified below according to the currency of Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type):

- (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
- (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day

2 The required amount of Variation Margin for Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) shall be calculated by JSCC in accordance with the Rules and Party A shall notify Party B of such required amount.

### Article 20-2. Mark-to-Market Difference

1 Party A and Party B shall pay or receive Cash in an amount equivalent to the Mark-to-Market Difference in the relevant currency of the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) on the day specified below according to the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in the below-listed currency:

- (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
- (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day

2 The required amount of Mark-to-Market Difference for Cleared Contracts subject to Brokerage that is Cleared Contract (Settlement Type) shall be calculated by JSCC in accordance with the Rules, and Party A shall notify Party B of such amount.

### Article 21. Payment or Receipt of Variation Margin

1 When Party A is due to pay to JSCC Variation Margin in relation to Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type), Party B shall pay to Party A Cash in an amount equivalent to the Variation Margin by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of Variation Margin, or, for Variation Margin related to Foreign Currency Cleared Contracts, on the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Variation Margin, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of Variation Margin shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date



of calculation of Variation Margin, or, in the case of Variation Margin related to Foreign Currency Cleared Contracts, on the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.

- 2 When Party A receives from JSCC Variation Margin in respect of Cleared Contracts subject to Brokerage, Party A shall pay Cash in the amount equivalent to said Variation Margin to Party B by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

Article 21-2. Payment or Receipt of Mark-to-Market Difference

- 1 When Party A is due to pay to JSCC Mark-to-Market Difference in relation to Cleared Contracts subject to Brokerage that is Cleared Contracts (Settlement Type), Party B shall pay to Party A Cash in an amount equivalent to the Mark-to-Market Difference by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the Mark-to-Market Difference, or, for Mark-to-Market Difference related to Foreign Currency Cleared Contracts on the first JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Mark-to-Market Difference, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of the Mark-to-Market Difference to Party A shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of Mark-to-Market Difference, or, in the case of Mark-to-Market Difference related to Foreign Currency Cleared Contracts, the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.

- 2 When Party A receives from JSCC Mark-to-Market Difference in respect of Cleared Contracts subject to Brokerage of Cleared Contract (Settlement Type), Party A shall pay to Party B Cash in an amount equivalent to such Mark-to-Market Difference by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

Article 22. Payment or Receipt of Interest on Variation Margin

- 1 Party A and Party B shall pay or receive Cash equivalent to interest on Variation Margin in respect of the relevant currency of the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) in accordance with this Agreement and the Rules on the JSCC Business Day specified below according to the currency of Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type):
  - (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
  - (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day

- 2 The amount of interest on Variation Margin for Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) shall be calculated by JSCC pursuant to the provisions of the Rules, and Party A shall notify Party B of such amount.
- 3 When Party A is due to pay to JSCC interest on Variation Margin, Party B shall pay to Party A Cash in the amount equivalent to said interest by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the interest on Variation Margin, or, for interest on Variation Margin related to Foreign Currency Cleared Contracts, on the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such interest on Variation Margin, and in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for its punctual payment in accordance with the first sentence of this paragraph, the payment of interest on Variation Margin shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of interest on Variation Margin, or, in the case of interest on Variation Margin related to Foreign Currency Cleared Contracts, the first JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.
- 4 When Party A receives from JSCC interest on Variation Margin, Party A shall pay to Party B Cash in the amount equivalent to said interest by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

Article 22-2. Payment or Receipt of Adjustment Amount related to Mark-to-Market Difference

- 1 Party A and Party B shall pay or receive Cash equivalent to Adjustment Amount related to Mark-to-Market Difference (*soneki sakin ni kakaru chouseikin*) in respect of the relevant currency of the Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in accordance with this Agreement and the Rules on the JSCC Business Day specified below according to Cleared Contract subject to Brokerage which is a Cleared Contract (Settlement Type) in the below-listed currency:
  - (1) JPY Cleared Contract subject to Brokerage: JSCC Business Day
  - (2) Foreign Currency Cleared Contract subject to Brokerage: On the day that is both JSCC Business Day and Foreign Currency Home Business Day
- 2 The amount of Adjustment Amount related to Mark-to-Market Difference for Cleared Contracts subject to Brokerage which are Cleared Contracts (Settlement Type) shall be calculated by JSCC pursuant to the provisions of the Rules, and Party A shall notify Party B of such amount.
- 3 When Party A is due to pay Adjustment Amount related to Mark-to-Market Difference to JSCC, Party B shall pay to Party A Cash in an amount equivalent to said amount by the

time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of calculation of the Adjustment Amount related to Mark-to-Market Difference, or, in the case of the Adjustment Amount related to Mark-to-Market Difference for Foreign Currency Cleared Contracts, such cut-off time on the first JSCC Business Day and Foreign Currency Home Business Day following the date of calculation of such Adjustment Amount related to Mark-to-Market Difference, in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, the payment of the Adjustment Amount related to Mark-to-Market Difference shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the date of calculation of the Adjustment Amount related to Mark-to-Market Difference, or, in the case of Adjustment Amount related to Mark-to-Market Difference for Foreign Currency Cleared Contracts, the first day that is both JSCC Business Day and Foreign Currency Home Business Day following the date such payment to JSCC becomes due.

- 4 When Party A receives from JSCC Adjustment Amount related to Mark-to-Market Difference, Party A shall pay to Party B Cash in an amount equivalent to said Adjustment Amount related to Mark-to-Market Difference by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

#### Article 23. Right to Claim Return of Variation Margin

Party A and Party B may not claim the other party to return Variation Margin in relation to Subject Clearing Brokerage Contracts (Collateral Type) except for payment and return in accordance with the provisions of this Agreement and the Rules.

#### Article 23-2. Cash Equivalent to Cross Margining MtM Difference

Where a legal relationship between Party A and Party B comes into effect pursuant to the provision of Article 28-9 of this Agreement, Party B shall pay to Party A Cash equivalent to the Cross Margining MtM Difference (*kurosumajin koushin sakin*) in respect of the Cross Margined JGB Futures Cleared Contract and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account when Party A is a payer of such Cross Margining MtM Difference to JSCC, and Party A shall pay Cash equivalent to such Cross Margining MtM Difference to Party B when Party A is to receive such Cross Margining MtM Difference from JSCC.

#### Article 23-3. Payment or Receipt of Cash Equivalent to Cross Margining MtM Difference

- 1 When Party A is due to pay to JSCC Cross Margining MtM Difference, Party B shall pay to Party A Cash equivalent to such Cross Margining MtM Difference by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the day on which the Cross Margining MtM Difference accrued in the manner agreed between Party A and Party B. If Party A and

Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, such payment shall be made by the above-mentioned cut-off time on the second JSCC Business Day following the day on which the Cross Margining MtM Difference accrued.

- 2 When Party A receives Cross Margining MtM Difference from JSCC, Party A shall pay Cash equivalent to such Cross Margining MtM Difference by the time agreed between Party A and Party B, or promptly, in the absence of such agreement, in the manner agreed between Party A and Party B.

### Section 3 Others

#### Article 24. Nature of Deposit of Margin

Unless otherwise specified in the Business Rules, deposit of Margin shall constitute deposit for consumption (*shohi kitaku*) for collateral purpose in the case of Margin in the form of Cash and a loan for consumption (*shohi taishaku*) free of charge for collateral purpose in the case of Margin in the form of Eligible Securities Collateral.

#### Article 25. Precedence of this Agreement over Civil Code or Commercial Code

Notwithstanding the provisions of the Civil Code (Act No.89 of 1896) and the Commercial Code (Act No.48 of 1899), Party A and Party B may claim a return of Margin or assert any other claim, only as prescribed in this Agreement or the Rules.

#### Article 26. Treatment of Right to Claim Return of Margin upon Occurrence of Event of Default or Other Circumstances

- 1 Party B may not request the return of Margin deposited or paid in accordance with this Agreement (simply referred to as "Margin") from JSCC or Party A until the settlement of all Subject Clearing Brokerage Contracts and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed, if:
  - (1) an Event of Default occurs and is continuing in respect of Party B; or
  - (2) all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30 of this Agreement.
- 2 If JSCC declares the Default of Party A, Party B may not request the return of Margin from JSCC or Party A until the completion of settlement of all Cleared Contracts subject to Brokerage and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account.
- 3 If JSCC declares the Default of Party A, Party A may not request the return of Margin from JSCC or Party B until the completion of settlement of all Cleared Contracts subject to Brokerage and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account.

Article 26-2. Method of Settlement of Cash Equivalent to Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage

Party A and Party B may settle the receivables and payables in the Cash Settlement Amount (*hendou shoukokin tou*) related to JPY Cleared Contracts subject to Brokerage on a net basis.

Article 26-3. Netting of Initial Margin and Cash Settlement Amount

1 After netting pursuant to the provision of Article 26-2 of this Agreement, the net Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage payable by Party B to Party A shall be netted with Initial Margin set forth in Article 11 of this Agreement as specified in the formulae below. If the net amount is negative, then Party B shall deposit the absolute value of such amount with Party A. The net amount calculated in Item (1) shall be deposited in Cash:

- (1) Initial Margin and Customer Initial Margin Deposited Amount deposited in Cash minus the amount of Cash equivalent to Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage payable by Party B to Party A
- (2) Initial Margin and Customer Initial Margin Deposited Amount minus Cash Allocated to Settlement minus Initial Margin Deposit Requirement

For the purpose of this Article, "Cash Allocated to Settlement" means Initial Margin and Customer Initial Margin Deposited Amount deposited in Cash which is applied to Cash equivalent to Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage payable by Party B to Party A pursuant to Article 26-3.1.(1) above.

2 After the netting pursuant to the provision of Article 26-2 of this Agreement, the net Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage to be received by Party B shall be netted with Initial Margin set forth in Article 11 of this Agreement as specified in the formula below. If the net amount is negative, then Party B shall deposit the absolute value of such amount with Party A.

Initial Margin and Customer Initial Margin Deposited Amount plus the amount of Cash equivalent to the net Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage receivable by Party B from Party A minus Initial Margin Deposit Requirement

Article 26-4. Request for Withdrawal and Deemed Deposit of Initial Margin

1 If Party B is due to receive Cash in the amount equivalent to the net Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage, as a result of the netting set forth in Article 26-2 of this Agreement, it shall only receive such amount upon request by informing Party A of the amount it desires to receive.

2 If no request specified in Paragraph 1 above is received from Party B, Cash in the amount

equivalent to the net Cash Settlement Amount related to JPY Cleared Contracts subject to Brokerage receivable by Party B shall be deemed to have been deposited as Initial Margin.

Article 26-5. Method of Settlement of Variation Margin and Settlement Amount related to Foreign Currency Cleared Contracts subject to Brokerage

- 1 Upon settlement of Cash equivalent to Variation Margin related to Foreign Currency Cleared Contracts subject to Brokerage, Party A and Party B may net, by each currency of the Foreign Currency Cleared Contracts subject to Brokerage, the total amount to be received and the total amount to be paid.
- 2 Upon settlement of Cash equivalent to Settlement Amount related to Foreign Currency Cleared Contracts subject to Brokerage, Party A and Party B may net, by each currency of the Foreign Currency Cleared Contracts subject to Brokerage, the total amount to be received and the total amount to be paid.

Chapter 4 Per Trade Compression and other Compressions of Cleared Contract Subject to Brokerage

Article 26-6. Application for Per Trade Compression of Cleared Contract Subject to Brokerage

- 1 When Party B intends to instruct Party A to apply for, or to give instruction to withdraw its application for, Per Trade Compression (*torihiki goto kompuresshon*) in relation to the Cleared Contract subject to Brokerage, it shall notify such effect to Party A by the time agreed between Party A and Party B in the manner agreed between Party A and Party B.
- 2 Upon receipt of the above-mentioned notice, Party A shall apply for or withdraw its application for the Per Trade Compression as instructed by Party B to JSCC in accordance with the provisions of the Rules.

Article 26-7. Application for Blended Rates Compression of Cleared Contract Subject to Brokerage

- 1 When Party B intends to instruct Party A to apply for, or to give instruction to withdraw its application for, Blended Rates Compression (*kupon burendeingu*) in relation to the Cleared Contract subject to Brokerage, it shall notify such effect to Party A by the time agreed between Party A and Party B in the manner agreed between Party A and Party B.
- 2 Upon receipt of the above-mentioned notice, Party A shall apply for or withdraw its application for the Blended Rates Compression as instructed by Party B to JSCC in accordance with the provisions of the Rules.

Article 26-8. Application for JSCC-Initiated Compression of Cleared Contract subject to Brokerage

- 1 When, in respect of Cleared Contract subject to Brokerage, Party B intends to give instruction to express its intention of utilization of the JSCC-Initiated Compression, give instruction to apply for the JSCC-Initiated Compression in respect of its Cleared Contract subject to Brokerage, give instruction to withdraw its application or give instruction to agree to the JSCC-Initiated Compression, Party B shall notify Party A of such intention in the manner and by the date and time separately agreed between Party A and Party B.
- 2 Upon receipt of the notice set forth in Paragraph 1, Party A shall express the intention of utilization of the JSCC-Initiated Compression, apply for the JSCC-Initiated Compression in respect of the Cleared Contract subject to Brokerage, withdraw the relevant application or agree to the JSCC-Initiated Compression to JSCC as stated in such notice, pursuant to the provisions of the Rules.

Article 27. Application for Vendor-Initiated Compression of Cleared Contract Subject to Brokerage

- 1 When Party B intends to instruct Party A to apply for Vendor-Initiated Compression (*ikkatsu kompuresshon*), it shall notify such effect to JSCC in accordance with the provisions of the Rules.
- 2 Party A and Party B hereby agree in advance that when the notification set forth in Paragraph 1 arrives at JSCC, Party B shall be deemed to have given instruction to Party A to apply for Vendor-Initiated Compression, and Party A shall be deemed to have accepted such instruction and made application as set forth in the Rules.
- 3 Notwithstanding the provision of Paragraph 2, if Party B does not belong to the same Corporate Group as Party A, the phrase “, and Party A shall be deemed to have accepted such instruction and made application” in Paragraph 2 shall be deleted.
- 4 When Party B has been deemed to have given instruction to Party A pursuant to the provision of Paragraph 2 as amended by the provision of Paragraph 3 and JSCC gives notice related to such instruction to Party A in accordance with the provisions of the Rules, Party A shall notify JSCC of its decision as to whether or not it accepts the instruction to apply for such Vendor-Initiated Compression.

Article 27-2. Application for Member-Initiated Compression of Cleared Contract Subject to Brokerage

- 1 When Party B intends to instruct Party A to apply for Member-Initiated Compression (*sankasha teian gata kompuresshon*), it shall notify such effect to JSCC in accordance with the provisions of the Rules.
- 2 Party A and Party B hereby agree in advance that when the notification set forth in Paragraph 1 arrives at JSCC, Party B shall be deemed to have given instruction to Party A to apply for Member-Initiated Compression, and Party A shall be deemed to have

accepted such instruction and made application as set forth in the Rules.

- 3 Notwithstanding the provision of Paragraph 2, if Party B does not belong to the same Corporate Group as Party A, the phrase “, and Party A shall be deemed to have accepted such instruction and made application” in Paragraph 2 shall be deleted.
- 4 When Party B has been deemed to have given instruction to Party A pursuant to the provision of Paragraph 2 as amended by the provision of Paragraph 3 and JSCC gives notice related to such instruction to Party A in accordance with the provisions of the Rules, Party A shall notify JSCC of its decision as to whether or not it accepts the instruction to apply for such Member-Initiated Compression.

Article 28 Termination of Subject Clearing Brokerage Contract as a Result of Per Trade Compression or other Compressions

When a Cleared Contract subject to Brokerage is terminated as a result of a Per Trade Compression, a Blended Rates Compression, a Vendor-Initiated Compression, a Member-Initiated Compression or a JSCC-Initiated Compression, the relevant Subject Clearing Brokerage Contract shall also terminate automatically, and the claims and obligations under the Subject Clearing Brokerage Contracts, other than those related to Cash Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of JSCC's confirmation of the satisfaction of Per Trade Compression Conditions, Blended Rates Compression Conditions, Vendor-Initiated Compression Conditions, Member-Initiated Compression Conditions or JSCC-Initiated Compression Conditions has not been completed, shall cease to exist and have no future effect in accordance with the provisions of the Rules. In such case, Cash remain unsettled between Party A and Party B with respect to such Subject Clearing Brokerage Contract, if any, shall be promptly settled between Party A and Party B.

Article 28-2. Conclusion of Subject Clearing Brokerage Contracts by Per Trade Compression and other Compressions

When new Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) come into effect between Party A and JSCC as a result of the Per Trade Compression, the Blended Rates Compression, the Vendor-Initiated Compression, the Member-Initiated Compression or the JSCC-Initiated Compression, the Subject Clearing Brokerage Contracts(Collateral Type) corresponding to such Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) shall come into effect between Party A and Party B at the same time.

Chapter 4-2 Position Transfer of Clearing Brokerage Contracts

Article 28-3. Position Transfer of Subject Clearing Brokerage Contract to Other Clearing Participant



- 1 Subject to the provisions of the Rules, Party B may transfer the below listed claims and obligations under the Cleared Contracts subject to Brokerage with respect to which Party B desires a Position Transfer to the Successor Clearing Broker ("Relevant Cleared Contract subject to Brokerage") entirely to the Successor Clearing Broker by delivering Position Transfer Request in the form prescribed by JSCC to JSCC via Successor Clearing Broker, and if JSCC accepts such request for Position Transfer:
  - (1) Claims and obligations of which the terms and conditions designated in the Rules are identical to the claims and obligations under the Relevant Cleared Contract subject to Brokerage between Party A and JSCC existing immediately before the termination of the Relevant Cleared Contract subject to Brokerage pursuant to the provision of Paragraph 5 below; and
  - (2) Claims and obligations of which the terms and conditions designated in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contract between Party A and Party B existing immediately before the termination of the Subject Clearing Brokerage Contract corresponding to the Relevant Cleared Contract subject to Brokerage pursuant to the provision of Paragraph 5 below.
- 2 Party A and Party B hereby agree in advance that, when the claims and obligations listed in Paragraph 1 related to all Cleared Contracts subject to Brokerage for Party B are transferred to the Successor Clearing Broker pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim return pursuant to the provision of Article 17 of this Agreement will be deemed as Initial Margin that has been deposited with JSCC by Party B via the Successor Clearing Broker as agent at the time of such Position Transfer, except for those for which notification to the effect of treating it as Initial Margin deposited with JSCC through Party A acting as agent has been given pursuant to the provisions of the Rules.
- 3 When Party B makes request to JSCC of the Position Transfer pursuant to the provision of Paragraph 1, Party B shall request the Successor Clearing Broker to accept such Position Transfer and obtain its consent in advance. Then, Party B shall notify Party A to the effect that it will request such Position Transfer. In this case, Party B shall deposit and pay to Party A the Margin Required to Clear related to the Cleared Contract subject to Brokerage to be paid or received in association with the Position Transfer and other amount to be paid or received between Party A and Party B in relation to the Cleared Contract subject to Brokerage pursuant to the provisions of the Rules, excluding Initial Margin deemed to have been deposited with JSCC via the Successor Clearing Broker acting as agent pursuant to the provision of Paragraph 2, by the date and time agreed between Party A and Party B that is at or before the cut-off time for delivery to JSCC, in the manner agreed between Party A and Party B.

- 4 When JSCC has accepted the request for the Position Transfer made pursuant to the provision of Paragraph 1, the claims and obligations specified in Paragraph 1 shall accrue among JSCC, Successor Clearing Broker and Party B at the time of such acceptance. In this case, claims and obligations between Successor Clearing Broker and JSCC shall be treated as those under the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) while claims and obligations between Successor Clearing Broker and Party B shall be treated as those under the Clearing Brokerage Contracts (Collateral Type).
5. When the Position Transfer is completed among JSCC, Successor Clearing Broker and Party B pursuant to the provisions of the Rules, the Relevant Cleared Contracts subject to Brokerage between JSCC and Party A and the Subject Clearing Brokerage Contracts corresponding thereto between Party A and Party B shall terminate as a matter of course at the time when the Position Transfer becomes effective, and the claims and obligations under the Relevant Cleared Contracts subject to Brokerage and the Subject Clearing Brokerage Contracts corresponding thereto, other than those related to Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of the confirmation, pursuant to the provisions of the Rules, of the deposit with or payment to JSCC of the Margin Required to Clear has not been completed, shall cease to exist and have no future effect pursuant to the provisions of the Rules.

Article 28-4. Position Transfer of Clearing Brokerage Contracts from other Clearing Participant

- 1 When Party B requests the Position Transfer of the Customer's Cleared Contracts of Party B's another Clearing Broker coming into effect as a result of its Clearing Brokerage for Party B (referred to as "Carrying Clearing Broker" in this Article) and other claims and obligations set forth in the Rules ("Position Transfer Cleared Contracts" (*shoukei taishou seisan yakujou tou*)) to Party A, and Party A accepts such request and submits such request form to JSCC pursuant to the provisions of the Rules, the Position Transfer of the Position Transfer Cleared Contracts to Party A shall come into effect pursuant to the provisions of the Rules.
- 2 When Party A accepts the Position Transfer pursuant to the provision of Paragraph 1 and has received the request form therefor from Party B in accordance with the Rules, it shall submit such request form to JSCC by 1:00 p.m. on the JSCC Business Day which is the desired date of Position Transfer. Such request form shall state, among other things, the effect that Party A has received the request to accept the Position Transfer, it has consented to accept such Position Transfer and it is submitting the request form for such Position Transfer to JSCC; and that Party B notified the Carrying Clearing Broker of such Position Transfer and Party B requests the Position Transfer to JSCC.

- 3 If the Carrying Clearing Broker's Position Transfer Cleared Contracts are transferred to Party A pursuant to the provision of Paragraph 1, the Carrying Clearing Broker's Position Transfer Cleared Contracts shall be deemed as the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) and the Subject Clearing Brokerage Contracts (Collateral Type) for the purpose of this Agreement and the provisions of this Agreement shall apply accordingly.
- 4 Party A and Party B hereby agree in advance that if the Carrying Clearing Broker's Position Transfer Cleared Contracts are transferred to Party A pursuant to the provision of Paragraph 1 and the claims and obligations arising from all Customer's Cleared Contracts are transferred, the Initial Margin in which Party B has the right to claim return pursuant to the provisions of the Clearing Brokerage Agreement between Party B and the Carrying Clearing Broker shall be deemed as Initial Margin deposited with JSCC by Party B via Party A acting as its agent at the time of such Position Transfer, except for those for which notification to the effect of treating it as Initial Margin deposited with JSCC through Carrying Clearing Broker acting as agent has been given pursuant to the provisions of the Rules.

Article 28-5. Transfer of Subject Clearing Brokerage Contracts to Party A, Other Clearing Participant or Other Customer

- 1 Subject to the provisions of the Rules, Party B may Transfer the Subject Clearing Brokerage Contracts to Party A, any other Clearing Participant (referred to as "Transferee Clearing Participant" in this Article) or any other Customer (*seisan itakusha*) (referred to as "Transferee Customer in this Article").

For the purpose of this Article, "Transfer" means (i) to have a Subject Clearing Brokerage Contract and the claims and obligations under the Subject Clearing Brokerage Contract, other than those related to Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, cease to exist pursuant to the provisions of the Rules, or (ii) to have a Subject Clearing Brokerage Contract and the claims and obligations under the Subject Clearing Brokerage Contract, other than those related to Settlement Amounts for which deposit or payment under the Subject Clearing Brokerage Contracts related to Foreign Currency Cleared Contracts subject to Brokerage due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear has not been completed, cease to exist pursuant to the provisions of the Rules and simultaneously to have a new legal relationship with the same terms and conditions come into effect between the Transferee Customer and the

Clearing Broker for the Transferee Customer.

- 2 Before requesting a Transfer of a Subject Clearing Brokerage Contract, Party B shall agree in advance with Party A, and the Transferee Clearing Participant, if the Subject Clearing Brokerage Contract is transferred to a Transferee Clearing Participant, or the Transferee Customer and its Clearing Broker, if the Subject Clearing Brokerage Contract is transferred to a Transferee Customer, on the settlement of claims and obligations between them arising from the Transfer and other necessary matters.

Article 28-6. Transfer of Clearing Brokerage Contracts from Other Customer

- 1 Subject to the provisions of the Rules, Party B may accept a Transfer from another Customer (referred to as "Transferor Customer" in this Article) of legal relationship between the Transferor Customer and its Clearing Broker that are similar to Clearing Brokerage Contracts (referred to as "Transferred Clearing Brokerage Contract").

For the purpose of this Article, "Transfer" means to have Transferred Clearing Brokerage Contract, other than the claims and obligations related to Settlement Amounts for which deposit or payment under the Customer's Cleared Contracts of the Clearing Broker for the Transferor Customer on the book of such Transferor Customer related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, cease to exist pursuant to the provisions of the Rules and simultaneously to have a new legal relationship as the Clearing Brokerage Contracts (Collateral Type) with the same terms and conditions come into effect between Party A and Party B.

- 2 Before accepting Transfer of the Transferred Clearing Brokerage Contract from the Transferor Customer, Party B shall agree in advance with Party A and the Transferor Customer (or, when accepting transfer from the Transferor Customer whose Clearing Broker is a Clearing Participant other than Party A, the Transferor Customer and the Clearing Broker for the Transferor Customer) on the settlement of claims and obligations among them arising from the Transfer and other necessary matters.

Article 28-6-2. Transfer of Cleared Contracts from Party A

- 1 Subject to the provisions of the Rules, Party A may transfer to Party B the Cleared Contracts between Party A and JSCC on Party A's proprietary account.

For the purpose of this Article, "Transfer" means a process to have a new legal relationship as a Clearing Brokerage Contract (Collateral Type) with the same economic effect as the Cleared Contracts on Party A's proprietary account, other than the claims and obligations

related to Settlement Amounts for which deposit or payment under the Cleared Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, come into effect between Party A and Party B and deem such Cleared Contracts as Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) between JSCC and Party A as a result of its Clearing Brokerage for Party B under the Clearing Brokerage.

- 2 Before requesting a Transfer of the Cleared Contracts to Party B, Party A shall agree in advance with Party B on the settlement of claims and obligations between Party A and Party B arising from the Transfer and other necessary matters.

#### Article 28-6-3. Transfer of Cleared Contracts from Other Clearing Participant

- 1 Subject to the provisions of the Rules, Party B may accept a transfer from a Clearing Participant other than Party A (referred to as "Transferor Clearing Participant" in this Article) the Cleared Contracts between the Transferor Clearing Participant and JSCC on the Transferor Clearing Participant's proprietary book.

For the purpose of this Article, "transfer" means to have a new legal relationship having the same economic effect as the Cleared Contracts on the Transferor Clearing Participant's proprietary book, other than the claims and obligations related to settlement amounts for which deposit or payment under the Cleared Contracts related to Foreign Currency Cleared Contracts due at the time of the confirmation of the deposit with or payment to JSCC of the Margin Required to Clear pursuant to the provisions of the Rules has not been completed, come into effect between Party A and Party B and deem such Cleared Contracts as Cleared Contracts subject to Brokerage between JSCC and Party A acting as an agent for Party B under the Clearing Brokerage.

- 2 When intending to accept a transfer of Cleared Contracts from a Transferor Clearing Participant, Party B shall agree in advance with Party A and the Transferor Clearing Participant on the settlement of claims and obligations among them arising from the transfer and other necessary matters.

### Chapter 4-3 Cross Margining

#### Article 28-7. Utilization of Cross Margining

- 1 When Party B intends to use Cross Margining, it shall obtain consent of Party A by clarifying the below-listed persons to Party A:
  - (1) Cross Margining Requestor (*kurosumajin sinseisha*); and
  - (2) if relevant, JGB Futures Non-Clearing Participant (*kokusai sakimono tou hi seisan sankasha*) acting as broker for Party B in respect of JGB Futures Contracts or Interest Rate Futures Contracts.

- 2 Upon providing consent mentioned in Paragraph 1, Party A shall notify JSCC of such effect in the manner prescribed in the Rules.
- 3 When there is any change to the persons listed in Paragraph 1, Party B shall give an advance notice of such change to Party A, which then notifies JSCC of such change pursuant to the provisions of the Rules.
- 4 When intending to cease utilization of the Cross Margining, Party B shall give an advance notice of such effect to Party A, which then notifies JSCC of such effect pursuant to the provisions of the Rules.

Article 28-8. Recording on and Deletion from Clearing Brokerage Account of Position of Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

When JSCC recorded on or deleted from Party A's Customer Account opened for Party B which is a Cross Margining User (*kurosumajin riyousha*) Positions of JGB Futures Contracts and Interest Rate Futures Contracts for the account of Party B pursuant to the provisions of the Rules, Party A shall record on or delete from, as the case may be, Party B Clearing Brokerage Account the Positions of the relevant JGB Futures Contract and Interest Rate Futures Contract.

Article 28-9. Legal Relationship related to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

- 1 When the claims and obligations with the same terms and conditions as those of Cross Margined JGB Futures Cleared Contract or Cross Margined Interest Rate Futures Cleared Contract that is recorded on Party B Clearing Brokerage Account between the Cross Margining Requester and JSCC came into existence between Party A and JSCC pursuant to the provisions of the Rules, simultaneously with the time when such claims and obligations come into effect, the legal relationship having the same economic effect as a Subject Clearing Brokerage Contract which would come into effect if such claims and obligations come into effect as a result of Party A's Clearing Brokerage for Party B under this Agreement shall arise between Party A and Party B.
- 2 When JSCC conducts offsetting sale or offsetting purchase set forth in Article 28-10.1 of this Agreement, the legal relationship which has arisen in accordance with the provision of Paragraph 1 shall cease to exist and have no future effect as of the time of such offsetting sale or offsetting purchase

Article 28-10. Liquidation of Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

- 1 When the legal relationship as set forth in Article 28-9 comes into effect between Party A and Party B, JSCC may cause the JGB Futures Clearing Participant (*kokusai sakimono tou seisan sankasha*) of its selection to conduct offsetting sale or offsetting purchase or

take other necessary liquidation process in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts of which Positions are recorded on Party B Clearing Brokerage Account pursuant to the provisions of the Rules.

- 2 If a Cross Margining Liquidation Transaction (*kurosumajin shobun torihiki*) is executed in respect of a Cross Margined JGB Futures Cleared Contract or Cross Margined Interest Rate Futures Cleared Contract of which Position is recorded on Party B Clearing Brokerage Account and the Subject Clearing Brokerage Contract has not been terminated, the provisions of this Agreement shall apply by deeming the IRS Transaction which comes into effect pursuant to the provision of Article 93-2.4 of the Business Rules as the Cleared Contract subject to Brokerage which comes into effect as a result of Party A's Clearing Brokerage for Party B, and the legal relationship between Party A and Party B in respect of the IRS Transaction as the Subject Clearing Brokerage Contract related to the IRS Transaction which is deemed to be the Cleared Contract subject to Brokerage pursuant to the provision of this paragraph, respectively.

#### Article 28-11. Payment or Receipt of Cash Equivalent to Upfront Fee

- 1 When the IRS Transaction set forth in Article 28-10.2 comes into effect and Party A is due to pay to JSCC upfront fee in respect of the IRS Transaction, Party B shall pay to Party A the Cash equivalent to the upfront fee by the time agreed between Party A and Party B that is at or before the cut-off time for its payment to JSCC on the JSCC Business Day following the date of execution of the IRS Transaction in the manner agreed between Party A and Party B. If Party A and Party B have agreed in advance that it is practically difficult for Party B to put in place operational procedures for such payment, such payment shall be made by the above-mentioned cut-off time on the JSCC Business Day following the date on which the payment to JSCC becomes due.
- 2 When the IRS Transaction set forth in Article 28-10.2 comes into effect and Party A has received upfront fee from JSCC in respect of the IRS Transaction, Party A shall pay Cash equivalent to the upfront fee by the time agreed between Party A and Party B, or promptly, in the absence of such agreement, in the manner agreed between Party A and Party B.

### Chapter 5 Party Default

#### Section1 Default of Party B

#### Article 29. Event of Default

- 1 An occurrence of any of the following events shall constitute an Event of Default in respect of Party B:
  - (1) Failure to perform payment obligation or delivery obligation:  
If Party B fails to perform any of its payment obligations or delivery obligations

under this Agreement as it becomes due and fails to cure such failure within one local business day from the date of the notice of failure from Party A to Party B. In the above sentence, a “local business day” means a day on which commercial banks located in the place designated by Party B as its address for receiving notices are open for general business, including the dealings in foreign exchange and foreign currency deposits;

(2) Breach of agreement or repudiation of performance:

If Party B fails to perform any of its obligations under this Agreement (other than the payment obligations and delivery obligations set forth in Item (1)) and fails to cure such failure within 30 days from the date of the notice of failure from Party A to Party B;

(3) Bankruptcy and other similar events:

- a. If Party B is dissolved (excluding the dissolution as a result of a merger);
- b. If Party B (i) becomes insolvent, (ii) becomes unable to pay its debts, (iii) suspends payment of its obligations when due (other than the payment obligations and delivery obligations set forth in Item (1)), or (iv) admits in writing that it is generally unable to pay its debts when due.

For the purpose of this Sub-item b., if Party B is an entity established or formed under the Japanese law, the terms “insolvent,” (*saimu chouka*) “unable to pay its debts” (*shiharai funou*) and “suspend payment” (*shiharai teishi*) shall have the same meaning as used in the Bankruptcy Act (Act No.75 of 2004) (*hasan hou*);

- c. If Party B carries out a general assignment, an arrangement (*saimu seiri*) or a composition (*wakai*) with or for creditors;
- d. If a petition is filed in respect of Party B for commencement of proceedings seeking a insolvency or determination of bankruptcy or other relief under the laws concerning bankruptcy or insolvency or other similar laws affecting the rights of creditors, including a petition for commencement or acknowledgment of the bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, special liquidation (*tokubetsu seisan*) or foreign bankruptcy proceedings or equivalent proceedings under laws and regulations of a foreign country against Party B, or if a petition for dissolution or liquidation of Party B is filed;
- e. If Party B adopts a resolution for its dissolution (*kaisan*), being under state control or liquidation (*seisan*);



- f. If Party B requests an appointment of a receiver (*kanzainin*), provisional administrator or other similar official ("Receiver") in respect of itself or a material part of its assets, or a Receiver is appointed for Party B or a material part of Party B's assets;
  - g. If any secured creditor of Party B takes possession of, or files a petition for compulsory execution, attachment, compulsory administration of or other legal proceedings in relation to, a material part of the assets of Party B and if such assets are not released, or the petition is neither dismissed nor withdrawn, within 15 days from the date of commencement of such possession or the date of filing of such petition, as the case may be;
  - h. If any event having similar effects to any of the events set forth in a. through g. above occurs in respect of Party B; or
  - i. If Party B takes any action to facilitate, consents to, acknowledges or implicitly admits any of the events set forth in a. through h. above.
- (4) Acceleration of Obligations under Agreement for Setting up Futures/Options Trading Account
- When Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are recorded on Party B Clearing Brokerage Account, if obligations of Party B has been accelerated under an Agreement for Setting up Futures/Options Trading Account (*sakimono opushon torihiki kouza settei yakudakusho*) prescribed by the Designated Market Operator (*shitei shijou kaisetsusha*) for brokerage of JGB Futures Contracts or Interest Rate Futures Contracts or under a Contract for Commissioning Clearance Relating to JGB Futures, Etc. (*kokusai sakimono tou seisan jutaku keiyakusho*) concluded pursuant to the provision of Article 39 of the Securities and Similar Contracts Business Rules (*shouken torihiki tou gyomu houhousho*).
- 2 If Party A and Party B separately agree that some of the Events of Default set forth in Paragraph 1 shall not apply or that certain other events shall be added to the definition of the Event of Default under this Agreement, such agreement shall prevail. In this case, the event agreed to be added shall constitute an Event of Default under this Agreement.
- 3 Notwithstanding the provisions of Paragraphs 1 and 2, Paragraph 1.(3).d. may be replaced with the following, if Party A and Party B so agree:

[(A) If Party B files a petition for commencement of proceedings seeking an insolvency or determination of bankruptcy or other relief (hereinafter referred to as "Legal Bankruptcy Proceedings") under laws concerning bankruptcy or insolvency or other similar laws affecting the rights of creditors, or if a petition for

commencement of the Legal Bankruptcy Proceedings is filed against Party B by a regulatory authority, supervisor or any similar government official that is located in the place of establishment or formation of Party B or at the location of its head office or principal place of business and has principal jurisdiction over bankruptcy, corporate reorganization (*kaisha kousei*) of or regulations on Party B ("Regulatory Authority"), or if a petition for dissolution or liquidation of Party B is filed by Party B or by the Regulatory Authority; or

(B) If a petition for commencement of the Legal Bankruptcy Proceedings or for dissolution or liquidation is filed against Party B by any person other than Party B or the Regulatory Authority and if the petition results in the insolvency, determination of bankruptcy, the issuance of an order for relief or order for dissolution or liquidation or if the petition is not dismissed, revoked, stayed or suspended within 15 days from the date of filing thereof.]

Article 30. Termination of Subject Clearing Brokerage Contracts upon Occurrence of Event of Default

- 1 If an Event of Default occurs and is continuing in respect of Party B, Party A may designate the day on which all Subject Clearing Brokerage Contracts shall terminate before the Termination Date of Cleared Contracts subject to Brokerage pursuant to the provisions of this Article ("Early Termination Date"). The designation of the Early Termination Date shall take effect by giving Party B a not more than 20 days prior notice specifying the relevant Event of Default, provided that if Party A and Party B separately agree that a certain date shall be designated in advance as the Early Termination Date applicable to all or part of the Events of Default, such agreement shall prevail.
- 2 All Subject Clearing Brokerage Contracts outstanding as of the Early Termination Date shall be automatically terminated without further notice from Party A or Party B on the Early Termination Date.
- 3 Notwithstanding the provisions of Paragraphs 1 and 2, upon occurrence of the Event of Default set forth in Article 29.1.(3).d. or Article 29.1.(4) in respect of Party B, all Subject Clearing Brokerage Contracts shall be automatically terminated immediately before the occurrence of such Event of Default without further notice from Party A or Party B and the date of termination of such Subject Clearing Brokerage Contracts shall be the Early Termination Date.
- 4 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provisions of Paragraphs 2 and 3, Party A or Party B shall notify JSCC to that effect in advance or without delay after the termination.
- 5 If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 2 or 3, the Cleared Contracts subject to Brokerage corresponding to the Subject Clearing Brokerage Contracts shall remain in force as the Cleared

Contracts(Collateral Type) between JSCC and Party A on its proprietary account.

- 6 On or after the Early Termination Date, Party A may execute one or more transactions to hedge, entirely or in part, loss which Party A may incur as a result of the Cleared Contracts to survive on its proprietary account pursuant to the provision of Paragraph 5 ("Risk Mitigating Transactions"). In such case, the Risk Mitigating Transactions shall be the IRS Transactions that satisfy the criteria set forth in Article 9 of the Handling Procedures of Interest Rate Swap Business Rules (*kinri suwappu torihiki seisan gyoumu ni kansuru gyoumu houhousho no toriatsukai*), and shall cover loss which Party A may suffer from all or a part of such Cleared Contracts. Counterparty to Risk Mitigating Transactions shall be another Clearing Participant of JSCC or a Customer of such other Clearing Participant.
- 7 If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 2 or 3, Party A and Party B shall pay or receive the Early Termination Amount with respect to each of such Subject Clearing Brokerage Contracts. In this case, the Early Termination Amount shall be the sum of the amounts stated in Items (1) through (3) below less the amount stated in Item (4). If the amount so obtained is positive, the Early Termination Amount shall be paid by Party A to Party B and if negative, it shall be paid by Party B to Party A:

(1) The total amount of the following:

- a. The total amount of upfront fees that Party A received in respect of the Risk Mitigating Transactions executed by Party A, less the total amount of upfront fees that Party A paid in respect of such Risk Mitigating Transactions;
- b. The total amount of upfront fees that Party A received in respect of the IRS Transactions set forth in Article 28-10.2, less the total amount of upfront fees that Party A paid in respect of such IRS Transactions.

For the purpose of this item, in respect of the upfront fee to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the date of execution of the Risk Mitigating Transactions or the IRS Transactions set forth in Article 28-10.2.

- (2) The total amount of Net Present Values (*shoumi genzai kachi*) calculated with respect to the transactions listed in a. and b. below as of the date specified in such a. and b.:
- a. Risk Mitigating Transactions and Cleared Contracts subject to Brokerage covered by Risk Mitigating Transactions:

Date of execution of such Risk Mitigating Transactions;

- b. Cleared Contracts subject to Brokerage other than those specified in a. above:  
JSCC Business Day immediately preceding the date of the notice set forth in Paragraph 8;

For the purpose of this item, in respect of the Net Present Value calculated in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the date mentioned in such a. and b., as applicable.

- (3) The sum of the amounts specified in a. through c. below with respect to the transactions specified in a. through c. below:

- a. Subject Clearing Brokerage Contracts outstanding between Party A and Party B:  
The sum of Fixed Amounts Floating Amounts and other payment amounts due from Party A to Party B on or before the Early Termination Date which remain unpaid; less the sum of Fixed Amounts, Floating Amounts and other payment amounts, that are due from Party B to Party A on or before the Early Termination Date which remain unpaid;
- b. Cleared Contracts subject to Brokerage covered by Risk Mitigating Transactions:  
The sum of Party A's receivable of Fixed Amounts, Floating Amounts and other payment amounts; less the sum of Party A's payable of Fixed Amounts, Floating Amounts and other payment amounts, that are due during the period from the Early Termination Date to the date of execution of such Risk Mitigating Transactions;
- c. Cleared Contracts subject to Brokerage other than those specified in b. above:  
The sum of Party A's receivable of Fixed Amounts, Floating Amounts and other payment amounts; less the sum of Party A's payable of Fixed Amounts, Floating Amounts and other payment amounts, that are due during the period from the Early Termination Date to the date on which the notice set forth in Paragraph 8 is given.

For the purpose of this item, in respect of the Fixed Amounts, Floating Amounts and other payment amounts to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the Early

Termination Date.

(4) In addition to those listed in Items (1) through (3), if Party A suffers loss, or incurs costs or liabilities in relation to the settlement of the Cleared Contracts subject to Brokerage, the amount equivalent to such loss, costs or liabilities. For the purpose of this item, in respect of the amount to be paid or received in any currency other than Japanese yen, the above amount shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate on the Early Termination Date.

8 As soon as possible on or after the Early Termination Date, Party A shall execute the Risk Mitigating Transactions set forth in Paragraph 6 and calculate the Early Termination Amount set forth in Paragraph 7. After the calculation of such Early Termination Amount, Party A shall give notice of breakdown of such Early Termination Amount, including the details of the Risk Mitigating Transactions and profits and losses arising from such Risk Mitigating Transactions, and information used for calculation of the Early Termination Amount obtained pursuant to the provision of Paragraph 7, to Party B.

9 If Party A and Party B have agreed to adopt an alternative description of the event set forth in Article 29.1.(3).d. of this Agreement pursuant to the provision of Article 29.3 of this Agreement, the provision of Paragraph 3 shall be replaced with the following.

[Notwithstanding the provisions of Paragraphs 1 and 2, if the Event of Default set forth in Article 29.1.(3).d. or Article 29.1.(4) of this Agreement occurs and is continuing in respect of Party B, Party A may designate the Early Termination Date of the Subject Clearing Brokerage Contracts within 20 days after the occurrence of such Event of Default (referred to as “Early Termination Date Designation Period” in this paragraph). In this case, the Early Termination Date shall be designated by such method and shall have such effect as set forth in the provisions of Paragraphs 1 and 2. If Party A does not designate the Early Termination Date within the Early Termination Date Designation Period, all Subject Clearing Brokerage Contracts shall be automatically terminated as of the expiry of the Early Termination Date Designation Period without further notice from Party A or Party B.]

#### Article 31. Return of Customer Initial Margin upon Termination of Subject Clearing Brokerage Contracts

1 If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, Party A shall immediately return to Party B Customer Initial Margin deposited by Party B, provided that Party B may not request the return of Customer Initial Margin from Party A until the settlement of all Subject Clearing Brokerage Contracts and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing

Brokerage Account is completed under the provision of Article 26.1 of this Agreement. This proviso shall not affect the settlement of the claims and obligations in Customer Initial Margin pursuant to the provision of Article 32 below.

- 2 For the purpose of Paragraph 1, if Customer Initial Margin is deposited in the form of Eligible Securities Collateral, unless otherwise agreed between Party A and Party B, Party A shall return Cash in the amount equivalent to the market value of the Eligible Securities Collateral as of the Early Termination Date used to determine the appraisal value of the Eligible Securities Collateral in lieu of returning Eligible Securities Collateral.
- 3 When all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, Party A and Party B shall immediately return to the other party Variation Margin deposited by the other party in accordance with this Agreement, provided that Party B may not request the return of Variation Margin from Party A until the settlement of all Subject Clearing Brokerage Contracts is completed under the provision of Article 26.1 of this Agreement, except for the case where the claims and obligations in Variation Margin are settled pursuant to the provision of Article 32 below.

Article 32. Close-Out Netting of Claims and Obligations upon Termination of Subject Clearing Brokerage Contracts

If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, all monetary obligations between Party A and Party B under this Agreement outstanding as of the Early Termination Date, including the obligation to pay the Early Termination Amount upon the termination of the Subject Clearing Brokerage Contracts pursuant to the provision of Article 30.7 of this Agreement, the obligation to return Customer Initial Margin and Variation Margin pursuant to the provision of Article 31 of this Agreement, the obligation to pay unpaid Fixed Amount, Floating Amount and Mark-to-Market Difference and any and all other monetary obligations outstanding between Party A and Party B, shall be settled as follows:

- (1) The total Early Termination Amounts payable by Party A to Party B in respect of all Subject Clearing Brokerage Contracts terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, total Variation Margin to be returned from Party A to Party B and other monetary obligations of Party A owed to Party B outstanding as of the Early Termination Date, excluding the obligations to return Customer Initial Margin under the provision of Article 31 of this Agreement, ("Party A's Obligations at Early Termination Date") shall be netted with the total Early Termination Amounts payable by Party B to Party A in respect of the Subject Clearing Brokerage Contracts, total Variation Margin to be returned from Party B to Party A and other monetary obligations of Party B owed to Party A outstanding as of the Early Termination Date ("Party B's Obligations at Early Termination Date"). For the purpose of this item, in respect of the Variation Margin or monetary obligations to be paid or received in any currency other than Japanese yen, the

above amounts shall be the Japanese yen equivalent of such amounts converted using the quotes of foreign exchange rate on the Early Termination Date;

- (2) As a result of netting pursuant to the provision of Item (1), if Party B's Obligations at Early Termination Date remain, the amount of Customer Initial Margin deposited with Party A by Party B, or, if Customer Initial Margin consists of Eligible Securities Collateral, but Party A will not return Cash equivalent to the market value of the Eligible Securities Collateral as set forth in the provision of Article 31 of this Agreement, the liquidation proceeds of Eligible Securities Collateral, shall be deducted from the remaining amount of Party B's Obligations at Early Termination Date. As a result, if the amount of the Party B's Obligations at Early Termination Date becomes negative, Party A shall have an obligation to immediately return to Party B the amount equal to the absolute value of such negative value.
- (3) As a result of netting pursuant to the provision of Item (2), if the Party B's Obligations at Early Termination Date still remain, the amount of Initial Margin deposited by Party B with JSCC, or, if Initial Margin consists of Eligible Securities Collateral, the proceeds from liquidation of Eligible Securities Collateral by Party A, shall be deducted from the remaining amount of Party B's Obligations at Early Termination Date. As a result, if the amount of the Party B's Obligations at Early Termination Date becomes negative, Party B may request the return from Party A of Initial Margin delivered from JSCC up to the amount equal to the absolute value of such negative value.
- (4) As a result of netting pursuant to the provision of Item (3), if the Party B's Obligations at Early Termination Date still remain, that remaining amount shall constitute the obligations of Party B owed to Party A arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party B's Final Obligations" in this Article) and the claims in the Party B's Final Obligations shall constitute the claims of Party A to Party B.
- (5) As a result of netting pursuant to the provision of Item (1), if the Party A's Obligations at Early Termination Date remain, the sum of the absolute value of the Party A's Obligations at Early Termination Date and the amount of the obligation to return Customer Initial Margin pursuant to the provision of Article 31 of this Agreement shall constitute the obligations of Party A owed to Party B arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party A's Final Obligations" in this Article) and the claims in the Party A's Final Obligations shall constitute the claims of Party B to Party A.

## Section 2 Default of Party A

### Article 33. Termination of Cleared Contracts Subject to Brokerage due to Default of Party

A

If JSCC declares the Default of Party A, Cleared Contracts subject to Brokerage shall be automatically terminated on the date of such declaration (hereinafter referred to as "Party A Default Determination Date") without further notice from JSCC or Party A.

Article 34. Position Transfer of Outstanding Contracts

1 On the termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement, Party B may cause the claims and obligations listed below (collectively "Outstanding Contracts") to be transferred through Position Transfer as a whole, to one or more Successor Clearing Brokers through the submission of a request to JSCC in the form prescribed by JSCC via the Successor Clearing Broker(s), and if JSCC accepts such request for the Position Transfer, in accordance with the Rules. This may only be done during the period specified in the Rules:

- (1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Cleared Contracts subject to Brokerage between Party A and JSCC which are in effect immediately before the termination of such Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement; and
- (2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contracts between Party A and Party B which are in effect immediately before the termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement.

2 Party A and Party B hereby agree in advance that when the Outstanding Contracts are transferred to the Successor Clearing Broker(s) pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim the return pursuant to the provision of Article 17 of this Agreement shall be deemed as Initial Margin deposited with JSCC through the Successor Clearing Broker(s) acting as agent for part B at the time of such Position Transfer.

3 Where Party B requests to JSCC the Position Transfer of the Outstanding Contracts pursuant to the provision of Paragraph 1, Party B shall request the Successor Clearing Broker for the Position Transfer and shall obtain the acceptance of the Successor Clearing Broker in advance.

4 When the Outstanding Contracts are transferred to the Successor Clearing Broker(s), the claims and obligations arising as a result of the Subject Clearing Brokerage Contracts between Party A and Party B as well as the claims and obligations resulting from Variation Margin paid or received between them in relation to such Subject Clearing Brokerage Contracts, excluding the obligations of Party A that is due at the time of the declaration of



the Default in respect of Party A and the obligations of Party A related to Unpaid Amount set forth in Article 85-5.1 of the Business Rules, and the claims and obligations relating to Customer Initial Margin in the amount equal to those deemed to have been deposited with JSCC by Party B through the Successor Clearing Broker acting as agent for Party B pursuant to the provision of Paragraph 2, shall cease to exist and have no future effect in accordance with the Rules.

Article 34-2. Position Transfer of Outstanding Cross Margined Contracts

1 Notwithstanding the provision of Article 34, when the legal relationship with the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 comes into existence as a result of a Default of Party A, Party B may cause the claims and obligations listed below (collectively the “Outstanding Cross Margined Contracts”) to be transferred through Position Transfer as a whole to one or more Successor Clearing Brokers through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the Successor Clearing Broker(s) and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:

(1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Cleared Contracts subject to Brokerage between Party A and JSCC which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract coming into existence pursuant to the provision of Article 28-9.1 of this Agreement;

(2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contracts between Party A and Party B which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts coming into existence pursuant to the provision of Article 28-9.1 of this Agreement.

2 Party A and Party B hereby agree in advance that when the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s) pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim the return pursuant to the provision of Article 17 of this Agreement shall be deemed as Initial Margin deposited with JSCC through the Successor Clearing Broker(s) acting as agent of Party B at the time of such Position Transfer.

3 Where Party B requests to JSCC the Position Transfer of the Outstanding Cross

Margined Contracts pursuant to the provision of Paragraph 1, Party B shall request to the Successor Clearing Broker the Position Transfer and shall obtain the consent of the Successor Clearing Broker in advance.

- 4 When the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s), the claims and obligations arising as a result of the Subject Clearing Brokerage Contracts between Party A and Party B as well as the claims and obligations resulting from Variation Margin paid or received between them in relation to such Subject Clearing Brokerage Contracts, excluding the obligations of Party A that is due at the time of the declaration of the Default in respect of Party A and the obligations of Party A related to Unpaid Amount set forth in Article 85-5.1 of the Business Rules, and the claims and obligations relating to Customer Initial Margin in the amount equal to those deemed to have been deposited with JSCC by Party B through the Successor Clearing Broker(s) acting as agent pursuant to the provision of Paragraph 2, shall cease to exist and have no future effect in accordance with the Rules.
- 5 The Position Transfer of Outstanding Cross Margined Contracts by Party B as set forth in Paragraphs 1 through 4 above may only be allowed when Party B has agreed with the Listed Futures Successor Clearing Broker (*kokusai sakimonotou shoukei seisan sankasha*) on the Listed Futures Position Transfer (*kokusai sakimonotou shoukei*), and submitted a request for Listed Futures Position Transfer in the form prescribed by JSCC to JSCC via the Listed Futures Successor Clearing Broker.

Article 34-3. Listed Futures Position Transfer of Claims and Obligations related to JGB Futures Cleared Contracts (*kokusai sakimono seisan yakujou*) and Interest Rate Futures Cleared Contracts (*kinri sakimono seisan yakujou*)

- 1 When the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract set forth in Article 28-9.1 of this Agreement comes into existence, Party B may cause the claims and obligations listed in Items (1) and (2) below (hereinafter collectively referred to as the “Claims and Obligations related to JGB Futures Cleared Contracts”) and the claims and obligations listed in Items (3) and (4) below (referred to as the “Claims and Obligations related to Interest Rate Futures Cleared Contracts”) to be transferred through Position Transfer as a whole to a Listed Futures Successor Clearing Broker through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the Listed Futures Successor Clearing Broker and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:

- (1) The claims and obligations of which the terms and conditions as prescribed in the

Rules are identical to the claims and obligations with the same terms and conditions as those related to Cross Margined JGB Futures Cleared Contracts set forth in Article 28-9.1 between Party A and JSCC which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts comes into existence according to the provision of Article 28-9.1;

- (2) The claims and obligations listed in Item (1) of which the terms and conditions as prescribed in the Rules are identical to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 between Party A and Party B which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract comes into existence according to the provision of Article 28-9.1.
  - (3) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations with the same terms and conditions as those related to Cross Margined Interest Rate Futures Cleared Contracts set forth in Article 28-9.1 between Party A and JSCC which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts comes into existence according to the provision of Article 28-9.1;
  - (4) The claims and obligations listed in Item (3) of which the terms and conditions as prescribed in the Rules are identical to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 between Party A and Party B which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract comes into existence according to the provision of Article 28-9.1.
- 2 Where Party B requests to JSCC a Listed Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and Interest Rate Futures Cleared Contracts and the like pursuant to the provision of Paragraph 1, Party B shall request to the Listed Futures Successor Clearing Broker the Listed Futures Position Transfer and obtain the consent of the Listed Futures Successor Clearing Broker (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts or Interest Rate Futures Contracts of Party B are traded through a JGB Futures Non-Clearing Participant) in advance.
  - 3 When a Listed Futures Position Transfer to the Listed Futures Successor Clearing Broker

is effected in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and Interest Rate Futures Cleared Contracts and the like, the claims and obligations identical to the claims and obligations related to the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts set forth in Article 28-9.1 and the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts shall cease to exist and have no future effect pursuant to the provisions of the Rules.

Article 35. Close-Out Netting of Subject Clearing Brokerage Contracts if Outstanding Contracts are not Transferred

1 Upon termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement, if the Outstanding Contracts are not transferred pursuant to the provision of Article 34 of this Agreement or the Outstanding Cross Margined Contracts are not transferred pursuant to the provision of Article 34-2, all Subject Clearing Brokerage Contracts shall be automatically terminated without further notice from Party A or Party B, and Party A and Party B shall pay or receive the Early Termination Amount with respect to all of those Subject Clearing Brokerage Contracts. In this case, the Early Termination Amount shall be the sum of the Profit and Loss before Default calculated pursuant to the provision of Paragraph 2 and the Post-Default Allocated Profit and Loss calculated in the manner described below. For the purpose of this Paragraph, when the Cash Settlement Amount is to be paid or received in any currency other than Japanese yen, it shall be Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business (*kinri suwappu torihiki seisan gyoumu ni kansuru seisan sankasha no hatan shori ni kansuru kisoku*):

- (1) The amount of the Post-Default Allocated Profit and Loss shall be the sum of the amounts obtained pursuant to a. through g. below, or, if Party B is not a Customer set forth in Article 94.1 of the Business Rules, pursuant to b. through g. below:
  - a. The sum of the Cash Settlement Amount arising from the Cleared Contracts subject to Brokerage to be paid or received on each JSCC Business Day during the period from the Party A Default Determination Date through the JSCC Business Day following the date on which it is determined that Party B is unable to transfer the Outstanding Contracts as set forth in Article 34 of this Agreement;

(For the purpose of this item, the “Last Day of Position Transfer Window” means JSCC Business Day following the date on which it is determined that Customers (including Party B) is unable to transfer the Outstanding Contracts as set forth in Article 34 of the Clearing Brokerage

Agreement(s).)

- b. The total amount of the portion, allocated to the Cleared Contracts subject to Brokerage, of the Cash Settlement Amount, to be paid or received on the second JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B, arising from:

- (i) Party A's Cleared Contracts on its proprietary account;
- (ii) Party A's Customer's Cleared Contracts that are confirmed not to be transferred pursuant to Article 94 or Article 94-2 of the Business Rules by the JSCC Business Day preceding the Last Day of Position Transfer Window applicable to Party B;

(in this b. through f. below, the Cleared Contracts that are confirmed not to be transferred pursuant to Article 94 of the Business Rules by the JSCC Business Day preceding the Last Day of Position Transfer Window shall be referred to as the "Subject Cleared Contracts for Hedge")

- (iii) Cleared Contracts subject to Brokerage, as well as, the other Customer's Cleared Contracts as a result of Party A's Clearing Brokerage for such other Customers, with respect to whom the Last Day of Position Transfer Window is the same as that applicable to Party B, if any;

(in this b. through f. below, the Cleared Contracts described in this (iii) shall be referred to as the "Cleared Contracts subject to Brokerage")

and

- (iv) Hedge Transactions related to these Cleared Contracts.

The allocation shall be determined by prorating said amount according to the risk (as such term set forth in Item(1)-3 below) respectively calculated with respect to the Subject Cleared Contracts for Hedge, the Cleared Contracts subject to Brokerage as of the Last Day of Position Transfer Window applicable to Party B;

- c. If no other Customer's Cleared Contract for which Party A is acting as Clearing Broker is confirmed not to be transferred pursuant to Article 94 of

the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B, the total amount of the portion, allocated to the Cleared Contracts subject to Brokerage, of the Cash Settlement Amount to be paid or received on each JSCC Business Day from the third JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B through the date of the Default Auction (*hatan shori nyuusatsu*) with respect to the Default of Party A (referred to as the “Default Auction Date”) plus the Successful Bid Amount (*rakusatsu zi shiharai kingaku*) less the Net Present Value as of the JSCC Business Day immediately preceding the Default Auction Date, each arising from the Subject Cleared Contracts for Hedge, Cleared Contracts subject to Brokerage and Hedge Transactions related to these Cleared Contracts. The allocation shall be determined by prorating such amount in the same manner as the provision of b. above;

- d. If one or more other Customer’s Cleared Contracts for which Party A is acting as Clearing Broker are confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B (such other Customer shall be referred to as “Customer Added to Hedge”), the amount determined as follows:

For the purpose of d. through f., on the Last Day of Position Transfer Window applicable to Customer Added to Hedge, the Cleared Contracts subject to Brokerage shall be included in Subject Cleared Contracts for Hedge.

- (i) The Cash Settlement Amount, arising from Subject Cleared Contracts for Hedge, Cleared Contracts of such Customer Added to Hedge and Hedge Transactions related to these Cleared Contracts, to be paid or received on the second JSCC Business Day following the Last Day of Position Transfer Window applicable to each Customer Added to Hedge shall be obtained;
- (ii) The amount obtained in (i) above shall be allocated on a pro-rata basis according to their risk respectively calculated on the Last Day of Position Transfer Window applicable to the Customer Added to Hedge with respect to the Subject Cleared Contracts for Hedge and the Cleared Contracts of the Customer Added to Hedge; and
- (iii) The amount allocated to Subject Cleared Contracts for Hedge according to (ii) above shall be further allocated to (a) Cleared Contracts on Party A’s proprietary account, (b) Party A’s

Customer's Cleared Contracts which was confirmed not to be transferred pursuant to Article 94 of the Business Rules before the Last Day of Position Transfer Window applicable to Party B and (c) the Cleared Contracts subject to Brokerage on a pro-rata basis in the same manner as the provision of b. above. The amount so allocated to the Cleared Contracts subject to Brokerage shall be the amount used for calculation of Cash equivalent to the Early Termination Charge for the Cleared Contracts subject to Brokerage.

- e. When d. above applies, if no other Customer's Cleared Contract for which Party A is acting as Clearing Broker is confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to each Customer Added to Hedge above, the sum of the amount of the portion, allocated to Cleared Contracts subject to Brokerage, of the Cash Settlement Amount to be paid or received on each JSCC Business Day from the third JSCC Business Day following the Last Day of Position Transfer Window applicable to the Customer Added to Hedge through Default Auction Date plus Successful Bid Amount less the Net Present Value as of the JSCC Business Day immediately preceding the Default Auction Date, each arising from the Subject Cleared Contracts for Hedge, the Cleared Contracts of the Customer Added to Hedge and Hedge Transactions related to these Cleared Contracts. The allocation shall be determined by prorating such amount in the same manner as the provision of d. above;
- f. When d. above applies, if one or more further Customer's Cleared Contracts for which Party A is acting as Clearing Broker are confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to said Customer Added to Hedge, the sum of the amount obtained by the calculation made in the same manner as the provisions of d. and e. above. If there is one or more additional Customers for which Party A is acting as Clearing Broker is decided not being able to transfer the Cleared Contracts executed for its account pursuant to Article 94 of the Business Rules thereafter, the total amount calculated in the same manner shall be added accordingly.
- g. When Party B is a Cross Margining User, if a Cross Margining Liquidation Transaction is executed in respect of Party B's Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts, the amount equal to the Cash Settlement Amount

related to the Cleared Contract which comes into existence as a result of such Cross Margining Liquidation Transaction.

- (1)-2 The “Cash Settlement Amount” and the “Net Present Value” referred to in Item (1) shall be calculated by JSCC pursuant to the provisions of the Rules on an assumption that Cleared Contracts to which Party A is a party, including Cleared Contracts subject to Brokerage, validly exist on the Party A Default Determination Date, and the “Cash Settlement Amount” and the “Net Present Value” to be paid or received in any currency other than Japanese yen shall be Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business.
- (1)-3 The “risk” referred to in Item (1) means the amount, with respect to the relevant Cleared Contracts, calculated by JSCC according to the method set forth in Paragraph 1.(1).a. of Appendix 2 to the Handling Procedures of Interest Rate Swap Business Rules.
- (2) When Party A is to pay to Party B the Post-Default Allocated Profit and Loss calculated pursuant to the provision of Item (1), Party A shall be deemed to owe a payment obligation related to such Cash to Party B.
- (3) When Party B is to pay to Party A the Post-Default Allocated Profit and Loss calculated pursuant to the provision of Item (1), Party B shall be deemed to owe a payment obligation related to such Cash to Party A.
- 2 The amount of Profit and Loss before Default shall be, in respect of each Subject Clearing Brokerage Contract, the sum total of the Net Present Value calculated on the Calculation Date upon Party A Default, excluding those in respect of which the Cleared Contracts subject to Brokerage related to the Subject Clearing Brokerage Contract is Cleared Contracts (Settlement Type). For the purpose of this Paragraph, “Calculation Date upon Party A Default” means the JSCC Business Day immediately preceding the Party A Default Determination Date when Variation Margin is settled on the Party A Default Determination Date, or the day that is 2 JSCC Business Days preceding the Party A Default Determination Date when Variation Margin is not settled on the Party A Default Determination Date.
- 3 When Party A owes to pay the Post-Default Allocated Profit and Loss to Party B pursuant to the provision of Paragraph 1.(2), Party B may directly request JSCC to pay the same amount as the relevant Post-Default Allocated Profit and Loss. When JSCC makes such payment, the payment obligation of Party A against Party B related to the Post-Default Allocated Profit and Loss set forth in Paragraph 1.(2) shall cease to exist.



- 4 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, Party A and Party B shall immediately return to the other party Variation Margin deposited by the other party in accordance with this Agreement, provided that neither Party A nor Party B may request the return of said Variation Margin from the other party until the settlement of all Cleared Contracts subject to Brokerage, Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed pursuant to the provisions of Articles 26.2 and 26.3 of this Agreement, except for the case where the claims and obligations arising from Variation Margin are settled pursuant to the provision of Paragraph 7.
- 5 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, Party A shall immediately return to Party B Customer Initial Margin deposited by Party B, provided that Party B may not request the return of said Customer Initial Margin from Party A until the settlement of all Cleared Contracts subject to Brokerage, Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed pursuant to the provision of Article 26.1 of this Agreement, except for the case where the claims and obligations arising from Customer Initial Margin are settled pursuant to the provision of Paragraph 7.
- 6 For the purpose of Paragraph 3, where Customer Initial Margin is deposited in the form of Eligible Securities Collateral, unless otherwise agreed between Party A and Party B, Party A shall return Cash in the amount equivalent to the market value of Eligible Securities Collateral used to determine the appraisal value of the Eligible Securities Collateral as of the Initial Loss-Determination Date in relation to the Default of Party A ("Initial Loss-Determination Date") in lieu of returning the Eligible Securities Collateral.
- 7 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, all monetary obligations outstanding between Party A and Party B under this Agreement as of the Initial Loss-Determination Date shall be settled as set forth below. Such monetary obligations shall include the obligations to pay the Early Termination Amount as a result of termination of the Subject Clearing Brokerage Contracts pursuant to the provision of Paragraph 1, which include, if the Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are recorded on the Party B Clearing Brokerage Account, the payment obligation existing between Party A and Party B in respect to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts that will come into existence pursuant to the provision of Article 28-9.1 of this Agreement (where Paragraph 3 applies, other than the payment obligations related to the Post-Default Allocated Profit and Loss set forth in Paragraph 3; the same applies in this Paragraph), the obligations to return Variation Margin pursuant to the provision of Paragraph 4, the obligations to return Customer Initial Margin pursuant to the provisions of Paragraphs 5 and 6, the obligations to pay Fixed

Amount and Floating Amount that remain unpaid, if any, and any and all other monetary obligations outstanding between Party A and Party B:

- (1) The Early Termination Amount payable by Party A to Party B as a result of termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Paragraph 1, Party A's obligation to return Variation Margin to Party B and other monetary obligations of Party A owed to Party B outstanding as of the Initial Loss-Determination Date, excluding the obligations to return Customer Initial Margin under the provisions of Paragraphs 5 and 6, ("Party A's Obligations at Initial Loss-Determination Date") shall be netted with the Early Termination Amount payable by Party B to Party A as a result of termination of the Subject Clearing Brokerage Contracts, Party B's obligation to return Variation Margin to Party A and other monetary obligations of Party B to Party A outstanding as of the Initial Loss-Determination Date ("Party B's Obligations at Initial Loss-Determination Date"). For the purpose of this paragraph, in respect of the Variation Margin or monetary obligations to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in the provision of Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business;
- (2) As a result of netting pursuant to the provision of Item (1), if Party B's Obligations at Initial Loss-Determination Date remain, the amount of Customer Initial Margin deposited by Party B with Party A, or, if Customer Initial Margin consists of Eligible Securities Collateral, but Party A will not return Cash equivalent to the market value of the Eligible Securities Collateral as set forth in the provision of Paragraph 4, the liquidation proceeds of Eligible Securities Collateral shall be deducted from the remaining amount of Party B's Obligations at Initial Loss-Determination Date. As a result, if the amount of the Party B's Obligations at Initial Loss-Determination Date becomes negative, Party A shall have an obligation to immediately return to Party B the amount equal to the absolute value of such negative value.
- (3) As a result of netting pursuant to the provision of Item (2), if the Party B's Obligations at Initial Loss-Determination Date still remain, the amount of Initial Margin deposited by Party B with JSCC, or, if Initial Margin consists of the Eligible Securities Collateral, the liquidation proceeds of Eligible Securities Collateral, shall be deducted from the remaining amount of Party B's Obligations at Initial Loss-Determination Date. As a result, if the amount of Party B's Obligations at Initial Loss-Determination Date becomes negative, Party B may request return of Initial Margin from JSCC up to the amount equal to the absolute value of such negative value.
- (4) As a result of netting pursuant to the provision of Item (3), if the Party B's

Obligations at Initial Loss-Determination Date still remain, that remaining amount shall constitute the obligations of Party B owed to Party A arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party B's Final Obligations" in this Article) and the claims in the Party B's Final Obligations shall constitute the claims of Party A to Party B.

- (5) As a result of netting pursuant to the provision of Item (1), if the Party A's Obligations at Initial Loss-Determination Date remain, the sum of that remaining amount and the amount of the obligation to return Customer Initial Margin pursuant to the provisions of Paragraphs 3 and 4 shall constitute the obligations of Party A owed to Party B arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party A's Final Obligations" in this Article) and the claims in the Party A's Final Obligations shall constitute the claims of Party B to Party A.
- 8 If Party A owes Party A's Final Obligations pursuant to the provision of Paragraph 5, Party A shall perform Party A's Final Obligations by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.
- 9 If Party B owes Party B's Final Obligations pursuant to the provision of Paragraph 7, Party B shall perform Party B's Final Obligations by the time and in the manner as designated by Party A.

### Section3 Position Transfer of Outstanding Contracts Due to Default of Other Clearing Participants

#### Article 36. Position Transfer of Outstanding Contracts Due to Default of Other Clearing Participants

- 1 If JSCC declares the Default of other Clearing Participant who also is a Clearing Broker for Party B ("Defaulting Clearing Participant") and if the Cleared Contracts of Party B are terminated, said Cleared Contracts and other claims and obligations specified in the Rules (collectively "Defaulting Clearing Participant's Outstanding Contracts") will be transferred to Party A through Position Transfer pursuant to the provisions of the Rules, through submission by Party B of request for Position Transfer to Party A and subject to an acceptance of Position Transfer by Party A.
- 2 When Party A accepts Position Transfer of the Defaulting Clearing Participant's Outstanding Contracts pursuant to the provision of Paragraph 1 and receives the Position Transfer request form from Party B in accordance with the Rules, Party A must submit the request form to JSCC within the period of time specified in the Rules. Such request form shall state, among other things, the effect that Party A has received the request to accept the Position Transfer and it has consented to accept such Position Transfer; that Party B is requesting such Position Transfer to JSCC; and that Party A is submitting the request

form for such Position Transfer to JSCC.

- 3 Upon the Position Transfer of the Defaulting Clearing Participant's Outstanding Contracts to Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply to the Defaulting Clearing Participant's Outstanding Contracts transferred to Party A as if they are the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) and the Subject Clearing Brokerage Contracts (Collateral Type) under this Agreement.
- 4 Party A and Party B hereby agree in advance that upon the Position Transfer of the Defaulting Clearing Participant's Outstanding Contracts to Party A pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim return pursuant to the provisions of the Clearing Brokerage Agreement between Party B and the Defaulting Clearing Participant shall be deemed as Initial Margin deposited with JSCC by Party B through Party A acting as its agent at the time of such Position Transfer.

#### Section 4 Participation in Default Auction for Other Clearing Participant

##### Article 37. Hedge Transaction

- 1 Under Clearing Brokerage for Party B which is in the same Corporate Group as Party A, Party A may become a party to the Hedge Transactions set forth in Article 93.1 of the Business Rules with JSCC for the account of Party B.
- 2 When a Hedge Transaction is executed between JSCC and Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply as if that Hedge Transaction is the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) which comes into effect as a result of Party A's Clearing Brokerage for Party B, and the legal relationships between Party A and Party B in respect of that Hedge Transaction is the Subject Clearing Brokerage Contract (Collateral Type) corresponding to the Hedge Transaction which is deemed as the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) pursuant to the provision of this paragraph.

##### Article 37-2. Cross Margining Liquidation Transaction

- 1 Under Clearing Brokerage for Party B, Party A may execute Cross Margining Liquidation Transactions with JSCC on Party B's book in accordance with Article 93-2.2 of the Business Rules.
- 2 When a Cross Margining Liquidation Transaction is executed between JSCC and Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply as if that Cross Margining Liquidation Transaction is the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) which comes into effect as a result of Party A's Clearing Brokerage for Party B, and the legal relationships between Party A and Party B in respect of that Cross Margining Liquidation Transaction is the

Subject Clearing Brokerage Contract (Collateral Type) corresponding to the Cross Margining Liquidation Transaction which is deemed as the Cleared Contract subject to Brokerage which are Cleared Contracts (Collateral Type) pursuant to the provision of this paragraph.

Article 38. Default Auction

- 1 Under Clearing Brokerage for Party B which is in the same Corporate Group as Party A, Party A may participate in the Default Auction for the account of Party B. If Party A wins a bid for the Auction Transactions for the account of Party B, these Auction Transactions shall come into effect between JSCC and Party A as broker for Party B.
- 2 When the Auction Transactions come into effect between JSCC and Party A pursuant to the provision of Paragraph 1, the provisions of this Agreement shall apply as if the Auction Transactions are the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) which comes into effect as a result of Party A's Clearing Brokerage and the legal relationships between Party A and Party B in respect of the Auction Transactions are the Subject Clearing Brokerage Contracts (Collateral Type) corresponding to the Auction Transactions which are deemed as the Cleared Contracts subject to Brokerage which are Cleared Contracts (Collateral Type) pursuant to the provision of this paragraph.

Chapter 7 Miscellaneous Provisions

Article 39. Voluntary Termination of this Agreement

- 1 This Agreement may be terminated by mutual agreement upon consultation between Party A and Party B.
- 2 In addition to the provision of Paragraph 1, Party A or Party B may terminate this Agreement by giving a written notice of termination to the other party not less than XX JSCC Business Days preceding the date on which it desires the termination.
- 3 When this Agreement is to be terminated pursuant to the provision of Paragraph 1 or 2, Party A shall give prior notification to JSCC. Such notification shall be given by the third JSCC Business Day preceding the desired date of the termination in the event of the termination pursuant to the provision of Paragraph 1 or without delay after Party A gives or receives the written notice of termination to or from the other party, as the case may be, in the event of the termination pursuant to the provision of Paragraph 2.
- 4 The provisions of this Agreement shall continue to govern the Subject Clearing Brokerage Contracts executed before the termination of this Agreement pursuant to the provision of Paragraph 1 or 2.
- 5 Notwithstanding the provisions of Paragraphs 1 and 2, no termination of this Agreement shall become effective until JSCC receives the notification pursuant to the provision of

Paragraph 3.

Article 40. Compulsory Termination of this Agreement

- 1 If an Event of Default occurs and is continuing in respect of Party B, Party A may terminate this Agreement immediately by giving Party B written notice of not more than 20 days, provided that, in any of the Events of Default, this Agreement shall be automatically terminated upon occurrence of such Event of Default as a matter of course without a written notice from Party A to Party B, if Party A and Party B have so agreed in advance.
- 2 When JSCC declares the Default of Party A, this Agreement shall be automatically terminated as a matter of course without any notification from Party A or Party B upon completion of the settlement of all Subject Clearing Brokerage Contracts outstanding as of such time.
- 3 When this Agreement shall terminate pursuant to the provision of Paragraph 1 or 2, Party A or Party B shall notify JSCC to that effect in advance or without delay after the termination.
- 4 Notwithstanding the provisions of Paragraphs 1 and 2, no termination of this Agreement shall become effective until JSCC receives the notification pursuant to the provision of Paragraph 3.
- 5 If the settlement of the Subject Clearing Brokerage Contracts has not been completed at the time of the termination of this Agreement pursuant to the provisions of the provision of Paragraph 1, this Agreement shall continue to govern said Subject Clearing Brokerage Contracts and the settlement thereof.

Article 41. Reports

- 1 Upon request of Party A, Party B shall report to Party A without delay the matters required to be reported in connection with the Subject Clearing Brokerage Contracts.
- 2 Upon occurrence of an Event of Default, Party B shall immediately report that effect to Party A in writing.

Article 42. No Assignment of Claims

Neither Party A nor Party B may assign to any third party, pledge or otherwise dispose of its claims under this Agreement, unless JSCC's written approval has been obtained in advance, the request for which shall be made using the JSCC's prescribed form.

Article 43. Confidentiality

- 1 Party A and Party B shall keep confidentiality of, and shall not use for any other purpose, business secrets of the other party which it becomes aware in connection with this Agreement. The "secret" referred to above shall mean confidential facts that are not

otherwise available to general public and may have significant commercial impact.

2 Party A and Party B shall not divulge business secrets set forth in Paragraph 1 to any third party, except for the following cases or unless there is other legitimate grounds for doing so:

- (1) When it obtains a prior written consent of the other party;
- (2) When the disclosure or provision thereof is required by an order or request from a court, competent authority or any other public institution or a financial instruments exchange or any other self-regulatory organization, or by law or regulation;
- (3) When it is disclosed or provided to an attorney, certified public accountant, tax accountant or other professional or any other Legal Entity (*houjin tou*) in the same Corporate Group, to the extent necessary for its performance of this Agreement or for the protection of its rights; or
- (4) When it files a report to JSCC or accepts investigations conducted by JSCC.

#### Article 44. Notice of Changes in Notifiable Matters

Party B shall immediately give a written notice to Party A of any change in its trading name, name, representative, seal impression or signature registered with Party A, address, location of its office or other matters.

#### Article 45. Disclaimer

- 1 Neither Party A nor JSCC shall be liable for any damage arising as a result of a delay in the return of Margin requested by Party B or the performance of any other obligation due to an act of God or other event of force majeure.
- 2 Neither Party A nor JSCC shall be liable for any loss, destruction of or other damage to Margin resulting from any of the events described in Paragraph 1.
- 3 As long as Party A has verified with due care and believed that a seal impression or signature affixed on a written notification or other document is the same as the seal impression or specimen signature notified to Party A in advance, Party A shall not be liable for any damage resulting from forgery, falsification of or other trouble in such document.

#### Article 46. Effectiveness of Notice

- 1 Any notice or other communication between Party A and Party B in connection with this Agreement shall be given by any of the below listed methods to the address or office notified by Party B to Party A or in accordance with the details of electronic communication system or e-mail, and shall become effective at such time as set forth below, provided, however, that the methods of Items (5) and (6) may not be used for a notice or other

communications between Party A and Party B in connection with the matters set forth in Article 29 or 30 of this Agreement. If the timing set forth below with respect to each method of notice is not a day on which commercial banks located in the place designated by Party B as its address for receiving notices are open for general business, including the dealings in foreign exchange and foreign currency deposits (referred to as "Local Business Day" in this paragraph) or after the business hours on a Local Business Day, such notice or other communication shall become effective on the next Local Business Day:

- (1) Delivery by hand or sending by mail in writing: the date of the receipt;
- (2) Transmission by telex: the date of receipt of an answerback from the recipient;
- (3) Transmission by facsimile: the date on which a qualified employee of the recipient receives it in a legible form;
- (4) Sending by a contents-certified or registered mail or by equivalent method: the date of delivery or attempted delivery;
- (5) Sending through an electronic communication system: the date of receipt; or
- (6) Sending by e-mail: the date of delivery.

2 In the event of a late delivery or failure of delivery of any notice or other communication between Party A and Party B addressed to the address or office notified by Party B to Party A for any reason attributable to Party B, it shall be deemed to have arrived at the time when it should have arrived under ordinary circumstances.

#### Article 47. Standard Time

Unless otherwise set forth in this Agreement, any reference to the year, month, day and time in this Agreement shall be the reference to year, month, day and time in Japan Standard Time.

#### Article 48. Reports by Electromagnetic Means

With a consent of Party A, Party B may, instead of submitting a document in writing, provide information to be reported under the provision of Article 41.2 hereof or notify under the provision of Article 44 hereof (excluding notification regarding changes in its seal impression or signature) via an electronic information processing system or other information and communication technology. The submission of report or notification in the above mean shall have the same effect as a report or notification in writing.

#### Article 49. Execution of Memorandum of Understanding

So long as it is consistent with this Agreement and the Rules, Party A and Party B may



conclude a memorandum of understanding or other consent letter on the matters related to this Agreement or Clearing Brokerage under this Agreement (including the matters related to delinquent charges, bank transfer fees and other matters not prescribed in this Agreement).

Article 50. Matters not Set Forth in this Agreement

Matters not set forth in this Agreement in connection with the Subject Clearing Brokerage Contracts shall be subject to the memorandum of understanding or other consent letter concluded between Party A and Party B pursuant to Article 49 of this Agreement, if any, as well as the Rules.

Article 51. Precedence of this Agreement

- 1 In the event of any inconsistency or conflict between an agreement between Party A and Party B and the provisions of this Agreement or the Rules, the provisions of this Agreement and the Rules shall prevail to the extent of such inconsistency or conflict.
- 2 In the event of any inconsistency or conflict between the provisions of this Agreement and the Rules, the Rules shall prevail to the extent of such inconsistency or conflict.

Article 52. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Japan.

Article 53. Jurisdiction

- 1 Party A and Party B hereby agree that the competent court in the location of the head office or XX branch of Party A shall have the jurisdiction over any legal action relating to this Agreement or the Subject Clearing Brokerage Contracts.
- 2 Notwithstanding the provision of Paragraph 1, Party A and Party B may separately agree on the exclusive jurisdiction or arbitration in respect of any dispute in connection with this Agreement or the Subject Clearing Brokerage Contracts.

Note 1) Upon execution of the Clearing Brokerage Agreement, Party A and Party B may elect to use either Exhibit Form 3 (*youshiki dai 3 gou*) or Exhibit Form 3-2 (*youshiki dai 3 gou no 2*) of Handling Procedures of Interest Rate Swap Business Rules.

Note 2) Party A and Party B may determine the number of days to be inserted to “○ JSCC Business Days” in Article 39.2 of this Agreement by mutual agreement.

Note 3) Party A and Party B may amend Article 43 of this Agreement (except for Article 43.2.(4)) with their mutual agreement.

Note 4) Party A and Party B may delete, or designate and insert a name of certain branch to, the phrase “○○ branch” in Article 53.1 of this Agreement by mutual Agreement.

The provisions of Articles 53.1 and 53.2 of this Agreement may be amended by a mutual agreement between Party A and Party B.

Note 5) When Party A and Party B desires to agree otherwise under the provisions of this Agreement that have reference to “by mutual agreement,” “agreement between Party A and Party B,” “separate agreement,” “Party A and Party B separately agree otherwise,” or “otherwise agreed between Party A and Party B,” such agreement shall be evidenced by a separate memorandum of understanding executed pursuant to the provision of Article 49 of this Agreement, incorporating such agreement into the provisions of this Agreement or referring to attachment hereto.

**<Exhibit Form 4> Letter of Undertaking (Japanese language original format)**

*( omitted )*

**<Exhibit Form 4-2> Letter of Undertaking (English language original format)**

Letter of Undertaking

Date:            /            /

To [     ], President & CEO of Japan Securities Clearing Corporation

Address \_\_\_\_\_  
Trading Name or Company Name \_\_\_\_\_  
Name of Representative \_\_\_\_\_ (Seal)

[     ] (hereinafter referred to as the “Company”) acknowledges that it has confirmed and accepted the details of the Rules (as defined in the Interest Rate Swap Clearing Business Rules prescribed by JSCC (hereinafter referred to as the “Business Rules”)) in advance, and, in accordance with the provision of Article 43.2 of the Business Rules and the provision of Article 3.1 of the Clearing Brokerage Agreement concluded with [     ] (hereinafter referred to as the “Company’s Clearing Broker”) on [     Date     ], submits this Letter of Undertaking (hereinafter referred to as this “Letter of Undertaking”) to JSCC through the Company’s Clearing Broker.

The terms used in this Letter of Undertaking shall have the definitions used in the Business Rules unless otherwise set forth in this Letter of Undertaking.

1 With respect to JSCC's IRS Clearing Business, the Clearing Brokerage Contracts (*seisan itaku torihiki*) coming into effect with the Company’s Clearing Broker and other matters specified in the Rules, the Company hereby agrees to abide by and comply with the Rules, as may be amended pursuant to the Rules, and the Clearing Brokerage Agreement concluded with the Company’s Clearing Broker.

2 The Company agrees that:

- (1) The provisions of the Rules and the Clearing Brokerage Agreement concluded with the Company’s Clearing Broker shall apply to the existing and future claims and obligations arising from Initial Margin (*tousho shoukokin*) and the matters listed in Article 1.1 of the Business Rules;
- (2) When the provisions of the Rules and/or the Clearing Brokerage Agreement concluded with the Company’s Clearing Broker are amended in accordance with the provisions of the Rules, this Letter of Undertaking shall automatically be amended accordingly;

- (3) In the Clearing Brokerage (*yuuka shouken tou seisan toritsugi*) for Clearing Brokerage Original Transaction (*seisan toritsugi gen torihiki*) between a Customer (*seisan itakusha*) of another Clearing Broker and the Company, such Customer may make available information concerning such Clearing Brokerage Original Transaction to its Clearing Broker and such Clearing Broker may receive such information; and
- (4) JSCC retains this Letter of Undertaking for the benefit of the Clearing Broker or the Customer referred to in Item (3) above as a document evidencing the Company's agreement to the matters set forth in Item (3) above, and may disclose this Letter of Undertaking or any contents thereof to such Clearing Broker or the Customer to the extent required by laws and regulations.

Note) Upon submission of the Letter of Undertaking , the Company may elect to use either Exhibit Form 4 (*youshiki dai 4 gou*) or Exhibit Form 4-2 (*youshiki dai 4 gou no 2*) of Handling Procedures of Interest Rate Swap Business Rules (*kinri suwappu torihiki seisan gyomu ni kansuru gyomu houhousho no toriatsukai*).