Reference Translation

Re: Handling of Calculation Method, etc. of Net Present Value relating to Calculation of Margin for IRS Transactions

September 5, 2012
Amended on September 24, 2015
Amended on April 11, 2016
Amended on December 19, 2016
Japan Securities Clearing Corporation

1. Matters relating to Calculation Method of Net Present Value (Article 4 of Handling Procedures of Interest Rate Swap Business Rules)
   (1) The calculation method of the Net Present Value used for a calculation of the Variation Margin, etc. shall be the method of utilizing the Clearing Yield Curves calculated in accordance with the method set forth in Article 79 of the Interest Rate Swap Clearing Business Rules.
   (2) Notwithstanding the provisions of (1), the calculation method of the Net Present Value used for a calculation of Mark-to-Market Difference of Cleared Contract (Settlement Type) shall be the method of utilizing the amount calculated with the Clearing Yield Curves pursuant to (1), and adding or deducting net required Mark-to-Market Difference (amount deducting the gross receipts from the gross payments of Mark-to-Market Difference), per Proprietary Account and each Customer Account, up to the date calculating the Net present Value. The Net Present Value of Cleared Contract (Settlement Type) shall include the value zero calculated according to Article 61-2.2 of the Interest Rate Swap Clearing Business Rules.
   (3) Notwithstanding the provisions of the preceding items (1) and (2), in such event as a clearing price cannot be calculated due to a failure of the systems installed by JSCC or by any other organization, the Net Present Value shall be calculated according to the "Contingency Plan in Calculation, etc. of IRS Required Margin Amount."

2. Matters relating to Certain Method of Adjustment by JSCC as to Past Fluctuation Ranges (Appendix 2, Paragraph 1, Item 1, b., c. and f of Handling Procedures of Interest Rate Swap Business Rules)
   The methods of adjustment by JSCC as to the past fluctuation ranges used in the calculation of the Required Initial Margin Amount shall be the method of multiplying the price fluctuation range for each scenario by a certain coefficient by means of EWMA (Exponentially Weighted Moving Average), in which case, a certain floor shall be set for the relevant coefficient.

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