

Rules on Required IRS Clearing Fund Amount

Original Document Title : 金利スワップ清算基金所要額に関する規則

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.

Article 1. Purpose

- 1 The purpose of these Rules on Required IRS Clearing Fund Amount (these “Rules”) is to prescribe the Required IRS Clearing Fund Amount pursuant to the provisions of Article 17 of the IRS Clearing Business Rules (the “Business Rules”) established by Japan Securities Clearing Corporation (“JSCC”).
- 2 The terms used in these Rules shall have the meanings of the same terms used in the Business Rules unless otherwise prescribed in these Rules.

Article 2. Required IRS Clearing Fund Amount

- 1 The Required IRS Clearing Fund Amount of each Clearing Participant shall be calculated every business day as prescribed in the “Calculation of Required IRS Clearing Fund Amount” appended hereto; provided, however, that JSCC may change the Required IRS Clearing Fund Amount on a temporary basis when a Clearing Participant merges with or is merged into another entity or as JSCC otherwise deems necessary.
- 2 Notwithstanding the provisions of the preceding Paragraph, the Required IRS Clearing Fund Amount that is to be deposited with JSCC by an applicant for IRS Clearing Qualification shall be the amount prescribed by JSCC for each application, taking into account factors such as: (i) the scale of the applicant’s business, (ii) the applicant’s trading record and future prospects and (iii) the amount obtained by dividing the total Required IRS Clearing Fund Amount of all Clearing Participant by the number of Clearing Participants on the date on which such applicant has applied for the IRS Clearing Qualification, and such Required IRS Clearing Fund Amount shall be applied until the IRS Transaction entered into by such applicant being granted an IRS Clearing Qualification is reflected in the Required IRS Clearing Fund Amount, calculated pursuant to the provisions of the preceding Paragraph.

Supplementary Provisions

These Rules shall come into force as of 9 October 2012.

Supplementary Provisions

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

Supplementary Provisions

These amendments shall come into force as of 29 May 2014.

Supplementary Provisions

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

Supplementary Provisions

1. These amendments shall come into force as of 11 April 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 11 April 2016.

Supplementary Provisions

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

Supplementary Provisions

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

Supplementary Provisions

1. These amendments shall come into force as of 25 September 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 25 September 2018. In this case, matters necessary for the treatment when these amendments come into force shall be prescribed by JSCC at the relevant timing.

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, these amendments shall come into force as of the date designated by JSCC which is on or after May 17, 2021.

Supplementary Provisions

1. These amendments shall come into force as of May 22, 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 May 22, 2023.

Supplementary Provisions

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.

Appendix Calculation of Required IRS Clearing Fund Amount

1. For each Clearing Participant, a Required IRS Clearing Fund Amount shall be the Expected Stressed Loss Share or JPY 100 million (100,000,000), whichever is larger, on an IRS Clearing Fund Calculation Date (which is the day on which a Required IRS Clearing Fund Amount is calculated; the same applies hereinafter).
2. Expected Stressed Loss Share

“The Expected Stressed Loss Share” in the preceding Paragraph shall be the amount prescribed below according to the classification of the Clearing Participant specified below:

 - (1) Clearing Participant not falling under below Item:

Expected Stressed Loss Base Amount (as defined below); and
 - (2) Clearing Broker subject to a reduction of the Expected Stressed Loss Share (“Clearing Participant subject to Reduction”):

The amount obtained by subtracting the Allocated Decrease (as defined below) from the Expected Stressed Loss Base Amount; provided, however, that JSCC may change the Expected Stressed Loss Share for a Clearing Participant determined pursuant to the provisions of this Item on an ad hoc basis to the extent of not exceeding the Expected Stressed Loss Base Amount for the relevant Clearing Participant, when JSCC deems necessary.
3. “The Expected Stressed Loss Base Amount” in the preceding Paragraph shall be the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in respect of that amount in terms of the Clearing Participant’s Risk Amount Exceeding Collateral (or, if any subsidiary or affiliate, or the parent company of such Clearing Participant, or any subsidiary or affiliate of the parent company (“Affiliated Company”) also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that an increase of the Required Initial Margin set forth in Article 65-2 of the Business Rules (“Client Additional Margin”) has not been applied, prorated according to the Required Initial Margin, which is calculated on an assumption that Client Additional Margin has not been applied, of the Clearing Participant arising as a result of its Proprietary Account and Customer Accounts on that IRS Clearing Fund Calculation Date.

For the purpose of the foregoing, “Risk Amount Exceeding Collateral” means the sum

in respect of each Clearing Participant of each amount calculated for each of the Proprietary Account and Customer Account of the Clearing Participant as a difference of the Stressed Risk Value of the Cleared Contracts at 7:00 p.m. on each IRS Clearing Fund Calculation Date and the Required Initial Margin Amount on the same day (if such difference in respect of a Customer Account is a negative figure, it shall be treated as zero (0)). If the sum so obtained is a negative figure, it shall be treated as zero (0)).

For the purpose of the foregoing, "Stressed Risk Value" is the value calculated in the manner prescribed by JSCC through notification, equivalent to the amount of expected loss incurred from a Clearing Participant's Cleared Contracts due to extreme volatility in the Clearing Yield Curve for the IRS Transactions, yield curves related to Cross Margined JGB Futures Cleared Contracts and yield curves related to Cross Margined Interest Rate Futures Cleared Contracts.

4. "Clearing Participant subject to Reduction" shall be a Clearing Broker falling under both of the below criteria:
 - (1) The Required Initial Margin for its Customer Account has been increased as of the IRS Clearing Fund Calculation Date due to Client Additional Margin; and
 - (2) It falls under top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral on the IRS Clearing Fund Calculation Date (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that Client Additional Margin has not been applied.
5. Allocated Decrease set forth in Paragraph 2.(2) shall be the smaller of the following:
 - (1) The amount obtained by subtracting the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company) for a given IRS Clearing Fund Calculation Date from the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that the increase of the Required Initial Margin set forth in Paragraph 1, Article 29-2 of the Business Rules, the increase of the Required Initial Margin set forth in Article 32 of the Business Rules or Client Additional Margin has not been applied for the same IRS Clearing Fund Calculation Date, prorated according to the difference between the Risk Amount Exceeding Collateral for each Clearing Participant subject to Reduction, which is calculated on an assumption that Client Additional Margin has not been applied, and the Risk Amount Exceeding Collateral, which is calculated by using the yield curve

fluctuation used for the calculation of the Expected Stressed Loss Base Amount;
and

- (2) The Expected Stressed Loss Base Amount set forth in Paragraph 3 multiplied by the value obtained by dividing the sum total of the Required Initial Margin for the Customer Accounts, to which Client Additional Margin is applied, calculated on an assumption that no Client Additional Margin has applied as of the relevant IRS Clearing Fund Calculation Date by the sum total of Required Initial Margin related to the Proprietary Account and Customer Accounts calculated on an assumption that no Client Additional Margin has applied as of the IRS Clearing Fund Calculation Date.