

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.

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 for a given IRS Clearing Fund Calculation Date 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) prorated according to the Required Initial Margin Amount 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 and yield curves related to Cross Margined JGB Futures Cleared Contracts.