

IRS Management Committee Rules

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IRS Management Committee Rules

Article 1. Purpose

The purpose of these IRS Management Committee Rules (these “Management Committee Rules”) is to set forth the authority, organization, manner of appointment of a committee member, procedures for a meeting and other matters necessary for administration of the IRS Management Committee 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 in these Management Committee Rules, the terms used in these Management Committee Rules shall have the meanings used in the Business Rules.

Article 3. Establishment of IRS Management Committee

JSCC shall establish the IRS Management Committee (“Committee”) as a permanent advisory committee of the board of directors of JSCC.

Article 4. Matters for Consultation

1 When JSCC intends to make a decision about any of the following matters in addition to those listed in Article 122.1 of the Business Rules, JSCC shall consult with the Committee and take account of the opinion of the Committee, except for a decision on an immaterial issue:

- (1) Matters concerning addition or change of Subject Transactions for Clearing;
- (1)-2 Matters concerning addition or change of transactions covered under Cross Margining;
- (2) Modification of the requirements for clearing qualification;
- (3) Matters concerning Clearing Brokerage;
- (4) Change in the handling of IRS Clearing Fund;

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- (5) Change in the handling of renunciation of IRS Clearing Qualification applied for by a Clearing Participant;
- (6) Change in the handling of Margin;
- (7) Change in the handling of measures to be taken in the event of Failure of Settlement of Clearing Participant;
- (8) Modification of the criteria regarding the actions to be taken against a Clearing Participant;
- (9) Designation in connection with change, amendment or supplement of the ISDA Master Agreement and the ISDA Definitions;
- (10) Change in the authority, organization, term of office of a member, operational procedures of the Default Management Committee and other necessary matters in connection with the administration of the Default Management Committee;
- (11) Date and time and the details of Default Settlement Drill (meaning the drill for re-establishment of JSCC's positions upon the termination of Defaulting Clearing Participant's Cleared Contracts in the event of JSCC's declaration of the Default of a Clearing Participant (including the measures to avoid any losses which may be incurred by JSCC until such re-establishment is completed) and for an appropriate and smooth administration of other matters arising along with the declaration of the Default);
- (12) Matters concerning the linkage for financial instruments clearing service with a foreign financial instruments clearing institution or an entity established under foreign laws which conducts the same type of businesses as the Financial Instruments Clearing Service in a foreign country;
- (13) Matters concerning fees prescribed in Article 16 of the Business Rules;
- (14) Matters concerning IRS Clearing System;
- (15) Matters concerning a business plan in respect of IRS Clearing Business;

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- (16) Distribution of the surplus to the holders of Class C Shares issued by JSCC;
 - (17) Designation of candidate for director of JSCC recommended by the Committee;
 - (18) Amendment to these Management Committee Rules; or
 - (19) Other matters that JSCC deems necessary from the perspective of management of the Committee and any other administration of JSCC's IRS Clearing Business.
- 2 In addition to the matters listed in Paragraph 1, JSCC shall consult with the Committee on whether or not the risk management system is implemented in a proper manner regularly at least once a year.
- 3 When JSCC receives requests from two (2) or more members of the Committee, or, if JSCC deems it is specifically necessary in light of the importance of risk management, one (1) or more members of the Committee, on any matter related to the administration of IRS Clearing Business, JSCC shall consult with the Committee on such matter.
- 4 If JSCC does not consult with the Committee on any of the decisions due to immateriality pursuant to the proviso to Paragraph 1 of this Article, JSCC shall notify members of the Committee of the details thereof before such decision.
- 5 JSCC shall, if it makes a decision different from the opinion of the Committee, notify the members of the Committee of the details of such decision and the reason therefor without delay after such decision.

Article 5. Appointment of Committee Members

- 1 JSCC shall appoint the persons set forth below as member of the Committee, provided that if two (2) or more Clearing Participants in the same Corporate Group meet the criteria under Item (1) below, JSCC shall appoint one Clearing Participant nominated from those Clearing Participants as a member of the Committee:

- (1) a Clearing Participant who is a holder of Class C Shares issued by JSCC or a Clearing Participant which is in the same Corporate Group as the Legal Entity that is a holder of Class C Shares issued by JSCC; or
 - (2) any person who is a holder of Class C Shares issued by JSCC or any person who is in the same Corporate Group as the Legal Entity that is a holder of Class C Shares issued by JSCC, and who is not a Clearing Participant set forth in Item (1) but deemed appropriate by the Committee.
- 2 In the event of declaration of the Default of a member of the Committee, in the event that any member of the Committee no longer meets either of the criteria set forth in Paragraph 1.(1) and (2), or in the event that any member of the Committee has been subject to business-suspension order or improvement order or any other administrative punishment involving IRS Clearing Business by an administrative agency or any self-regulatory organization or has violated the Rules and JSCC takes any of the actions set forth in Article 28.1 or 28.2 of the Business Rules, and if JSCC deems such member of the Committee inappropriate as a member of the Committee, JSCC may cancel the appointment of the relevant member of the Committee by showing the reason for the cancelation. In this case, JSCC shall reappoint such person as a member of the Committee when it acknowledges that the reason for the cancellation of the appointment ceases to exist.
- 3 When JSCC intends to cancel appointment of any member of the Committee as set forth in Paragraph 2 (excluding a declaration of the Default of such member of the Committee or such member of the Committee no longer meeting either of the criteria set forth in Paragraph 1.(1) and (2)), JSCC shall consult with the Disciplinary Measures Assessment Committee in advance as to whether or not the cancelation is appropriate, and take account of its opinions.
- 4 The Committee shall have a chairperson who shall be appointed from among members of the Committee by mutual vote.
- 5 The term of office of chairperson shall be one (1) year.

- 6 If a chairperson ceases to be a member of the Committee pursuant to Paragraph 2 of this Article, JSCC shall appoint a new chairperson.

Article 6. Notification of Representative of Committee Member

- 1 A member of the Committee shall designate at least one (1) of the Officers or employees of itself or the Legal Entity in the same Corporate Group as the member of the Committee who has expertise in trading practice of IRS Transactions to act as a representative or an agent of the member of the Committee in respect of the duties as a member of the Committee (“Representative of Committee Member”) and shall submit to JSCC a written notification of such designation in the form prescribed by JSCC immediately after its appointment as a member of the Committee.
- 2 When a member of the Committee changes its Representative of Committee Member, it shall submit to JSCC a written notification of a new Representative of Committee Member in the form prescribed by JSCC.

Article 7. Obligations of Committee Members

- 1 A member of the Committee or a Representative of Committee Member (including a person who once was a member of the Committee or Representative of Committee Member) shall keep confidentiality of secrets that such person becomes aware in the performance of its duties and may not use for any purposes other than performance of duties as member of the Committee, or divulge to a third party (including the Legal Entity to which he or she belongs), any such secrets, except for any of the below listed events or otherwise there is any justifiable grounds to do so. The “secrets” referred to above shall mean confidential facts that are not otherwise available to general public and may have significant commercial impact:
 - (1) When JSCC’s prior written consent is obtained;
 - (2) When its disclosure or provision 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 laws and regulations;

- (3) When it is necessary to perform the duties of member of the Committee; or
- (4) When such information is disclosed or provided to an attorney, certified public accountant, tax accountant or other professional, or other Legal Entity in the same Corporate Group as the member of the Committee, to the extent necessary for the performance of its obligations under these Management Committee Rules or the Rules, for management or supervision within the Corporate Group to which it belongs, or for protection or exercise of its rights or rights of any other Legal Entity in the same Corporate Group, provided that a disclosure or provision to any person who is not under the statutory confidentiality obligation shall be subject to an imposition on such person of the same confidentiality obligation as set forth in this Paragraph.

2 When JSCC receives a notification of a Representative of Committee Member pursuant to Article 6, it shall make the Representative of Committee Member submit a written pledge prescribed by JSCC to the effect that it shall comply with the obligations set forth in Paragraph 1 of this Article.

Article 8. Observation of Committee Meeting by Clearing Participant who is not a Committee Member

- 1 An Officer or employee designated in advance by a Clearing Participant who is not a member of the Committee in the form prescribed by JSCC (“Designated Observer”) may observe the proceedings of meeting of the Committee.
- 2 The provisions of Article 7 shall apply *mutatis mutandis* to the Clearing Participant which is not a member of the Committee and the Designated Observer designated by that Clearing Participant set forth in Paragraph 1. In such case, the words “member of the Committee” shall be replaced with “Clearing Participant who is not a member of the Committee” and “Representative of Committee Member” shall be replaced with “Designated Observer”.

Article 9. Convocation of Meetings

- 1 A meeting of the Committee shall be convened by the decision of the President & CEO of JSCC, provided that it shall not preclude the convocation of a meeting by a resolution of the board of directors of JSCC.
- 2 When JSCC intends to convene a meeting of the Committee, JSCC shall notify members of the Committee of the date, venue, agenda and other necessary matters in advance, provided that such notification is not required when JSCC deems that there is a particularly urgent need.
- 3 If a Representative of Committee Member is unable to attend a committee meeting for an unavoidable reason, he/she may have another person who belongs to the same Clearing Participant or another Legal Entity in the same Corporate Group attend the committee meeting as a proxy.
- 4 Where JSCC deems it necessary, a meeting may be held via telephone or other means, or a member of the Committee may attend a meeting via telephone or other means.
- 5 In addition to Paragraph 4, a resolution may be adopted in writing in lieu of holding a meeting of the Committee where JSCC deems it necessary.
- 6 As a general rule, JSCC shall hold a committee meeting at least quarterly (including the resolutions made in writing pursuant to Paragraph 5).

Article 10. Method of Resolution

- 1 A committee meeting may not begin deliberations on any business unless at least half of the members of the Committee (excluding the members of the Committee who are not able to participate in the deliberations pursuant to the provisions of Paragraph 4 of this Article; the same applies to Paragraph 2) are in attendance.
- 2 The chairperson shall make an effort so that the resolution on the business may be adopted unanimously by all the members of the Committee in attendance.

- 3 A resolution the Committee shall be adopted by a majority vote of the members in attendance.
- 4 A member of the Committee may not participate in deliberations on the matter in which such member of the Committee has special interests.

Article 11. Report to Board of Directors of JSCC

The chairperson shall report to the board of directors of JSCC the resolutions and any other details of the deliberations in the Committee on the matters for consultation.

Article 12. Secretariat

- 1 The Secretariat of the Committee shall be JSCC. An executive officer of JSCC shall participate in a committee meeting as a member of the Secretariat.
- 2 The Secretariat shall support the members of the Committee, conduct administrative communication, assist administration of meetings, hold records and take charge of other administrative works of the Committee.

Article 13. Delegation

Matters necessary for administration of the Committee other than those prescribed in these Management Committee Rules shall be prescribed by the Committee on a case-by-case basis.

Supplementary Provisions

- 1 These Management Committee Rules shall be enforced from 20 August 2012 (hereinafter referred to as "Date of Enforcement").
- 2 JSCC may take necessary procedures and perform any other acts and things in relation to the appointment of members of the Committee and notification of Representative of Committee Member even before the Date of Enforcement pursuant to the applicable provisions of these Management Committee Rules.

3 In the event that Tokyo Stock Exchange Group, Inc. becomes a holder of Class C Shares prior to the date of the first meeting of the Committee after the Date of Enforcement, Tokyo Stock Exchange Group, Inc. (or where it designates for such purpose any one of the Legal Entities in the same Corporate Group, such designated Legal Entity) shall notwithstanding the provisions of Article 5.1.(2) of these Management Committee Rules be deemed to be appointed as member of the Committee on the day on which Tokyo Stock Exchange Group, Inc. becomes a holder of Class C Shares.

Supplementary Provisions

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

Supplementary Provision

This amendment shall come into force as of April 1, 2019.