Matters concerning Per Trade Compression Conditions and New Cleared Contracts to Come into Effect as a Result of Per Trade Compression

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Japan Securities Clearing Corporation

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Japan Securities Clearing Corporation ("JSCC") sets forth as per attached Annexes 1 and 2 the matters concerning the economic terms to be designated by JSCC which is one of the Per Trade Compression Conditions set forth in Article 30.2.(1) of the Handling Procedures of Interest Rate Swap Business Rules ("Handling Procedures") and the new Cleared Contract to come into effect as a result of the Per Trade Compression set forth in Article 30.4 of the Handling Procedures.

1. Definitions

   The terms used in this Annex 1 shall have the meanings used in the Rules as defined in the Interest Rate Swap Clearing Business Rules prescribed by Japan Securities Clearing Corporation (hereinafter referred to as "JSCC"). In addition, the following terms shall have the meanings defined below:

   (1) "Effective Date" refers to Effective Date as defined in the ISDA Definitions (Section 3.1.2); and

   (2) "Trade ID" means an identifier JSCC assigns to a Cleared Contract by using the IRS clearing system.

2.

   Economic Terms concerning Cleared Contracts to be Confirmed by JSCC as Per Trade Compression Conditions

   Conditions listed in Annex 2.

3. Matters to be Designated by JSCC concerning New Cleared Contract to Come into Effect as a Result of Per Trade Compression

   The economic terms of new Cleared Contract to come into effect as a result of the Per Trade Compression shall be as specified below:

   (1) Trade Date: Date on which the Per Trade Compression becomes effective;

   (2) Date of Clearing: Date on which the Per Trade Compression becomes effective;

   (3) Effective Date of IRS Transaction: The Effective Date closest to the date on which Per Trade Compression becomes effective among Effective Dates of Cleared Contracts to terminate as a result of the Per Trade Compression;

   (4) Notional Amount
      a. When the Cleared Contracts to terminate as a result of the Per Trade Compression

exchange Fixed Amount and Floating Amount:

The difference between the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Fixed Rate Payer and the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer in respect of the Cleared Contracts to terminate as a result of the Per Trade Compression (the absolute value of such difference if negative);

b. When the Cleared Contracts to terminate as a result of the Per Trade Compression exchange Floating Amount and Floating Amount:

The difference between the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer of one of the Floating Rate Options and the total Notional of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer of the other Floating Rate Option in respect of the Cleared Contracts to terminate as a result of the Per Trade Compression (the absolute value of such difference if negative);

(5) Fixed Rate Payer

a. In Item (4).a., if the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Fixed Rate Payer is greater than the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer: such Clearing Participant;

b. In Item (4).a., if the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer is greater than the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Fixed Rate Payer: JSCC;

(6) Floating Rate Payer

a. In Item (4).a., if the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Fixed Rate Payer is greater than the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer: JSCC;

b. In Item (4).a., if the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Floating Rate Payer is greater than the total Notional Amount of the Cleared Contracts in which the Clearing Participant is a Fixed Rate Payer: such Clearing Participant;

c. In case of of Item (4).b., the relevant Clearing Participant shall be the Floating Rate Payer for the Floating Rate Option in respect of which the Notional Amount of the Cleared Contracts is greater and JSCC shall be the Floating Rate Payer for the Floating Rate

Option in respect of which the Notional Amount of the Cleared Contract is smaller.

(7) Economic Terms other than Those Set Forth in Items (1) through (6)

    a. In case of Item (4).a.: To be identical to the Cleared Contract to terminate as a result of the Per Trade Compression, of which a pair of the Fixed Rate Payer and the Floating Rate Payer matches; provided, however, that, if two or more such Cleared Contracts exist, the economic terms shall be identical to the Cleared Contract whose Effective Date is the closest to the date on which the Per Trade Compression becomes effective and the Trade ID value is the largest;

    b. In case of Item (4).b.: To be identical to the Cleared Contract to terminate as a result of the Per Trade Compression, of which the pair of the Floating Rate Payer and the Floating Rate payable by such Floating Rate Payer matches; provided, however, that, if two or more such Cleared Contracts exist, the economic terms shall be identical to the Cleared Contract whose Effective Date is the closest to the date on which the Per Trade Compression becomes effective and the Trade ID value is the largest.

Prescribed Economic Terms, etc. of Trades subject to Per Trade Compression

1. Prerequisites for Per Trade Compression

- Coupon Payment Date for a new trade generated from Per Trade Compression is not Compression Day or the immediately following business day of Compression Day.
  - ✓ Trades for which matching conditions are met and in full offsetting relationship (as explained in the following page) can be unwound without considering Coupon Payment Date of the trades subject to unwinding. Compression is allowed, even when trades subject to unwinding include those for which Coupon Payment falls on Compression Day or the immediately following business day of Compression Day, if new generate trade's Coupon Payment does not fall on Compression Day or the immediately following business day of Compression Day.
- Start date and end date of all Calculation Period after the scheduled Compression day (if the scheduled Compression day falls in Calculation Period, including such Calculation Period）are matched.
  - ✓ "Start date and end date are matched" means matching of all of Pre-adjusted dates, Business Day Convention, Business Centers and Adjusted dates.
- Interest Payment Dates after Scheduled Compression Execution Date are matched.
- For amortizing or accreting trade, a pair of trades is to be fully offset (unwound) through Per Trade Compression, and no new Clearing arises (full offset through combination of 3 or more trades is not possible).[*1]

2. Predefined Economic Conditions for Per Trade Compression Eligible Trades

（1）Items used as matching conditions at trade level

- Combination of floating rates for both legs
- Trade currency

*Items not used as matching conditions at trade level

• Trade date	• Notional Amount[*2]
• Counterparty to original trade	• ISDA Definitions of original trade
• Clear date	

*1 When only one remaining Calculation Period is left for Amortizing or Accreting trade, Compression is allowed for a pair of trades of such Amortizing or Accreting trade and its full offsetting non-Amortizing or Accreting trade. For details, refer to C in the table in page 3.

*2 Matching Condition for Amortizing or Accreting trades. Compression is allowed when Notional Amounts of subject trades for all unsettled Calculation Period are matched.

Prescribed Economic Terms, etc. of Trades subject to Per Trade Compression

(2) Items used as matching conditions at fixed/floating leg level

[Common to fixed/floating legs]

• 取引開始日（休日調整前）/ Un-Adjusted Effective date[*3]	• 日数計算方法 / Day Count Fraction
• 取引開始日休日調整方法 / Effective Date Business Day Convention[*3]	• 応答日 / Roll Date
• 取引開始日休日調整参照都市 / Effective Date Business Centers[*3]	• 応答日規定 / Roll Date Convention
• 取引開始日（休日調整後）/ Effective Date (Adjusted)[*3]	• 支払日サイクル / Payment Frequency
• 取引終了日（休日調整前）/ Un-Adjusted Maturity date	• 支払日休日調整方法 / Payment Date Business Day Convention
• 取引終了日休日調整方法 / Maturity Date Business Day Convention	• 支払日休日調整参照都市 / Payment Date Business Centers
• 取引終了日休日調整参照都市 / Maturity Date Business Centers	• 支払日オフセット日数 / Payment lag
• 取引終了日（休日調整後）/ Maturity Date (Adjusted)	• スタブ種別 (Short/Long) / Stub Type (Short/Long)
• 計算期間サイクル / Calculation Period Frequency	• スタブ種別 (Start/End) / Stub Type (Start/End)
• 計算期間休日調整方法 / Calculation Period Business Day Convention	
• 計算期間休日調整参照都市 / Calculation Period Business Centers	

[Specific to floating leg]・【Specific to fixed leg】

[Specific to floating leg]	【Specific to fixed leg】
• 参照金利名称 / Rate Index	• 固定金利 / Fixed Rate
• 参照金利期間 / Rate Index Tenor	• 固定支払い金額 / Fixed Amount[*4]
• スプレッド / Spread	
• コンパウンディング手法 / Compounding Method	
• 金利決定日参照都市 / Fixing Date Business Center	
• 金利決定オフセット日数 / Fixing Date Offset Period	
• スタブ金利期間1 / Stub Rate Tenor 1	
• スタブ金利期間2 / Stub Rate Tenor 2	

*3 Included in matching condition only for Forward Start trades but excluded in that for trades for which Effective Date has already arrived.

*4 Refers to the delivery amount for trades which specifies delivery amount only, not specifying Notional Amount of Fixed leg and Fixed rate. Compression is allowed only for a pair of trades fully offsetting each other.

Compression Function - Trade with Only One Remaining Calculation Period

➢ Out of the Compression Matching Conditions JSCC prescribes, the items shown below will be exempted in case of a Compression of trades with only one remaining Calculation Period.

	Exempted Matching Condition	Remarks
A	Payment Frequency Example: MTH, QTR, SA, PA, ZC	• Exempted because, if the remaining Calculation Period is only one, there will also be only one payment date and there will be no further payment cycle.
B	Roll Date Convention Example: EOM, IMM, DAY, NONE	• Exempted because, if the remaining Calculation Period is only one, a difference of Roll Date Convention has no impact if start date and end date of the relevant Calculation Period (both before holiday adjustment) and their holiday adjustment match.
C	Amortizing or Accreting	• Exempted because, if there is only one remaining Calculation Period, there will be no further change in the Notional Amount, and there is no need for differentiating amortizing or accreting.
D	Stub type Example: Short / Long, Start / End	• Exempted because, if there is only one remaining Calculation Period, there is no need for differentiation between stub period and regular period. • However, when Stub Rate Tenor 1 and 2 are set, the relevant Stub type and remain in the Matching Condition even for trades with only one remaining Calculation Period.

Example of Compression of Trades with Only One Remaining Calculation Period

➢ In case of a pair of trades with only one remaining Calculation Period, Compression is allowed even if Matching Conditions listed in the previous slide, such as Payment Frequency or Roll Date Convention, do not match, if other Conditions match. (Example of A and B on the previous slide)
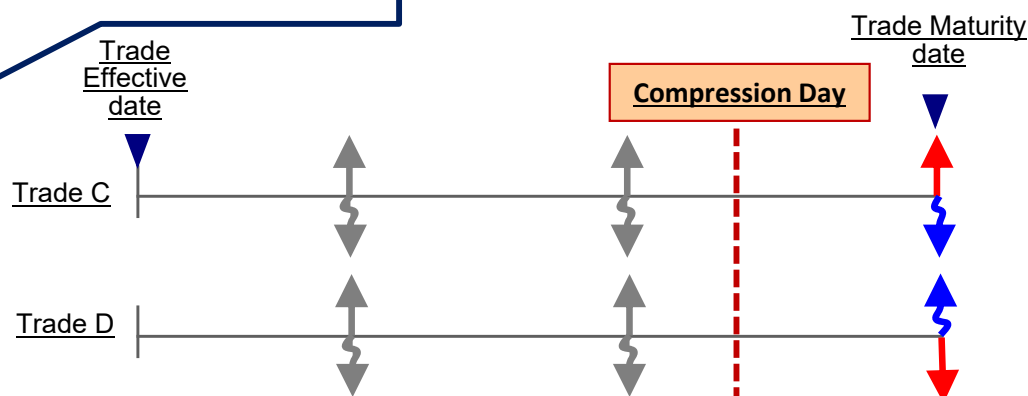
JSCC Trade ID	Pay/Rec Payment Frequency	Pay/Rec Roll date Convention
A	PA	EOM
B	ZC	NONE
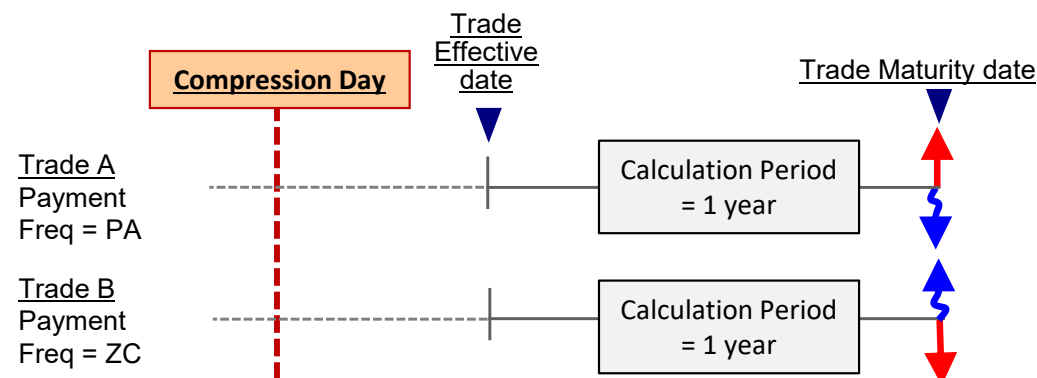
➢ There is no change in the Notional Amount in the last Calculation Period for an Amortizing/Accreting trade, and it is not different from regular (non-amortizing) trade. So, when Matching Conditions other than those listed on the previous slide match and they **fully** offset, Compression of such trade and non-amortizing/non-accreting trade is allowed.   (Example of C on the previous slide)

JSCC Trade ID	Pay/Rec Initial Notional	Pay/Rec Current Notional
C (Amortizing)	100,000,000	15,000,000
D (Non-amortizing)	-15,000,000	-15,000,000

Example of Compression of Trades with Only One Remaining Calculation Period

➤ When the remaining Calculation Period of a trade with End Stub is only one, Compression between that trade and a non-stub trade whose Matching Conditions other than those listed in p.3 Annex 5 are met is allowed if Tenor of the coupon designated for that stub period matches with Floating Rate Index Tenor of the non-stub trade. (Example of D on the previous slide)

JSCC Trade ID	Tenor	Pay/Rec Stub At	Pay/Rec Stub Type	Pay/Rec Stub Index Tenor	Pay/Rec Stub Index Tenor 2
E	3M	-	-	-	-
F	6M	End	Short	3M	-