

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

April 11, 2016

Amended on October 16, 2017

Japan Securities Clearing Corporation

Japan Securities Clearing Corporation (“JSCC”) sets forth as per attached Annex the matters concerning the economic terms to be designated by JSCC which is one of the Blended Rates Compression Conditions set forth in Article 30-2.2.(1).c. 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 Blended Rates Compression set forth in Article 30-2.4 of the Handling Procedures.

1. Definitions

The terms used in this Annex 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”).

2. Conditions to be Designated by JSCC as Blended Rates Compression Conditions:

Conditions concerning the Cleared Contracts to be confirmed by JSCC as Blended Rates Compression Conditions shall be the economic terms of the Cleared Contracts other than the following:

- a. Trade Date of the Eligible IRS Transaction;
- b. Effective Date of the Eligible IRS Transaction;
- c. Parties to the Eligible IRS Transaction;
- d. Date of Clearing; and
- e. Notional Amount.
- f. Fixed Rate

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

The economic terms of new Cleared Contract to come into effect as a result of the Blended Rates Compression (hereinafter referred to as “Newly Generated Trade,” and a Newly Generated Trade in the case where only one Newly Generated Trade comes into existence shall be hereinafter referred to as “Newly Generated Trade (Single),” and when two Newly Generated Trades come into existence, the Newly Generated Trade with a higher Fixed Rate shall be hereinafter referred to as “Newly Generated Trade (1)” and that with a lower Fixed Rate shall be hereinafter referred to as “Newly Generated Trade (2)”) shall be identical to the Cleared Contracts to terminate as a result of the Blended Rates Compression (hereinafter referred to as “Original Trade”) except for those specified below, for which the economic terms specified below shall apply:

- (1) Trade Date: Date on which the Blended Rates Compression becomes effective;
- (2) Date of Clearing: Date on which the Blended Rates Compression becomes effective;
- (3) Effective Date of IRS Transaction:
- a. Newly Generated Trade (Single) or Newly Generated Trade (1):
 The Effective Date of the Cleared Contract selected out of the Original Trades according to the below listed criteria:
 - (a) Fixed Rate Payer and Floating Rate Payer are the same as those under Newly Generated Trade; and
 - (b) The Effective Date is the closest.
 - b. Newly Generated Trade (2):
 The Effective Date of the Cleared Contract other than the one selected in Sub-item a. above that is selected according to the criteria set forth in Sub-item a. above; provided, however, that if there is no other Cleared Contract than the one selected under Sub-item a. above, then the Effective Date of the Cleared Contract selected under Sub-item a. above.
- (4) Notional Amount
- a. Absolute value of the amount obtained according to the below formula:
 - (a) Newly Generated Trade (1):

$$\frac{\{\text{Sum total of (Notional Amount of Original Trade X Fixed Rate of Original Trade) (after netting)}^{(\text{note } 1)} - (\text{Sum total of Notional Amount of Original Trade (after netting)}^{(\text{note } 2)} \times \text{Smallest Fixed Rate among all Original Trades}) / (\text{Largest Fixed Rate among all Original Trades} - \text{Smallest Fixed Rate among all Original Trades})\}}{1}$$
 - (b) Newly Generated Trade (2)
 Sum total of Notional Amount of Original Trade (after netting)^(note 2) – Amount Obtained according to the formula in (a) above
 - (c) Newly Generated Trade (Single)
 Amount obtained according to the formula in (a) above; provided, however, that if the amount obtained according to the formula in (a) above is zero, the Notional Amount shall be the amount obtained according to the formula in (b) above.
 - b. Notwithstanding the provisions in a.(a) above, if the latest Par Rate corresponding to the remaining term of the Original Trade is greater than the largest Fixed Rate among all Original Trades or smaller than the smallest Fixed Rate among all Original Trades, then

the Notional Amount of the Newly Generated Trade (1) shall be the absolute value of the amount obtained according to the below formula, unless such absolute value is equal to or greater than the absolute value obtained according to the formula in a. (a) above:

(a) When Par Rate is smaller than the smallest Fixed Rate among all Original Trades:

{Sum total of (Notional Amount of Original Trade X Fixed Rate of Original Trade) (after netting)^(Note 1) – (Sum total of Notional Amount of Original Trades (after netting)^(Note 2) X Par Rate)} / (Largest Fixed Rate among all Original Trades – Par Rate)

(b) When Par Rate is greater than the largest Fixed Rate among all Original Trades:

{Sum total of (Notional Amount of Original Trade X Fixed Rate of Original Trade) (after netting)^(Note 1) – (Sum total of Notional Amount of Original Trade (after netting)^(Note 2) X Smallest Fixed Rate among all Original Trades)} / (Par Rate - Smallest Fixed Rate among all Original Trades)}

(Note 1) The amount obtained as the sum total of the product of the Notional Amount and the Fixed Rate of the Original Trades in which the Clearing Participant is a Floating Rate Payer, minus the sum total of the product of the Notional Amount and the Fixed Rate of the Original Trades in which the relevant Clearing Participant is a Fixed Rate Payer.

(Note 2) The amount obtained as the sum total of the Notional Amount of the Original Trades in which the relevant Clearing Participant is a Floating Rate Payer, minus the sum total of the Notional Amount of the Original Trades in which the relevant Clearing Participant is a Fixed Rate Payer.

(5) Fixed Rate

a. When Item (4), a. applies:

(a) Newly Generated Trade (1)

Largest Fixed Rate among all Original Trades

(b) Newly Generated Trade (2)

Smallest Fixed Rate among all Original Trades

(c) Newly Generated Trade (Single)

Largest Fixed Rate among all Original Trades when the Notional Amount is obtained according to the formula in Item (4), a. (a), and smallest Fixed Rate among all Original Trades when the Notional Amount is obtained according to the formula in Item (4), a. (b).

- b. In the case set forth in Item (4), b. (a):
 - (a) Newly Generated Trade (1)
 - Largest Fixed Rate among all Original Trades
 - (b) Newly Generated Trade (2)
 - Par Rate
- c. In the case set forth in Item (4), b. (b):
 - (a) Newly Generated Trade (1)
 - Par Rate
 - (b) Newly Generated Trade (2)
 - Smallest Fixed Rate among all Original Trades

(6) Fixed Rate Payer

- a. When the amount obtained according to Item (4) is negative: Clearing Participant
- b. When the amount obtained according to Item (4) is positive: JSCC

(7) Floating Rate Payer

- a. When the amount obtained according to Item (4) is negative: JSCC
- b. When the amount obtained according to Item (4) is positive: Clearing Participant

End of Document