

CDS Clearing Business Rules

Chapter 1 General Provisions

(Article 1 Purpose)

1 The purpose of these CDS Clearing Business Rules (hereinafter referred to as these “Business Rules”) is to set forth the matters necessary for the Financial Instruments Obligation Assumption Service, etc. and businesses incidental thereto including the matters set forth below, in which the Subject Transactions are the CDS Transactions (hereinafter referred to as the “CDS Clearing Business”) conducted by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”):

- (1) Matters necessary between JSCC and the Clearing Participants in respect of Assumption of Obligation by JSCC and the Clearing Contracts;
- (2) Matters necessary between Clearing Participants in respect of Eligible CDS Transactions in connection with which Assumption of Obligation is applied for to JSCC;
- (3) In respect of the Underlying Transaction of Clearing Brokerage, the matters necessary between a Clearing Customer and a Clearing Participant who is the counterparty to such Underlying Transaction of Clearing Brokerage or with another Clearing Customer;
- (4) Matters necessary among JSCC, a Clearing Participant and a Clearing Customer in respect of Brokerage for Clearing of Securities, etc.; and
- (5) In addition to those set forth in each Item above, matters necessary among JSCC, Clearing Participants and Clearing Customers in respect of CDS Clearing Business conducted by JSCC.

2 These Business Rules, etc. shall apply only to the CDS Clearing Business conducted by JSCC and shall not apply to the Financial Instruments Obligation Assumption Service, etc. rendered in relation to the Subject Transactions other than CDS Transactions or any other businesses conducted by JSCC.

(Article 2 Definitions)

1 The terms used in these Business Rules, etc. shall have the meanings prescribed in the Financial Instruments and Exchange Act (Act No. 25 of 1948) and the ISDA Credit Derivatives Definitions and the terms listed in the following Items shall have the meanings as defined in each such Item:

- (1) “Ad Hoc Compression” means a process to terminate a Clearing Contract before the Termination Date in a manner prescribed by JSCC in accordance with the provisions of Article 53-2.

(1)-2 “Transfer” means any of the following:

- a. a process to have a Clearing Brokerage Contract between a Transferring Customer (as such term defined in Article 58-2, Paragraph 1; the same applies in this Item) and the

- Clearing Participant on Customer Account for the Transferring Customer terminate pursuant to the provisions of Article 58-3, Paragraph 3 and have claims and obligations thereunder cease to have future effect;
- b. a process to have a Clearing Brokerage Contract between a Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer terminate pursuant to the provisions of Article 58-3, Paragraph 5 and have claims and obligations thereunder cease to have future effect, and simultaneously to have a legal relationship with the same terms and conditions as the said Clearing Brokerage Contract come into effect between the Receiving Customer (as such term defined in Article 58-2, Paragraph 1) and the Clearing Participant on Customer Account for the Receiving Customer; and
 - c. a process to have a legal relationship with the same economic effect as the Clearing Contract (Own Account) between JSCC and the Transferring Clearing Participant (as such term defined in Article 58-4, Paragraph 1) come into effect between the Receiving Customer (as such term defined in Article 58-4, Paragraph 1) and the Clearing Participant on Customer Account for the Receiving Customer pursuant to the provisions of Article 58-5, Paragraph 3;
- (1)-3 “Customer Initial Margin” means any cash or securities deposited with a Clearing Participant on Customer Account by a Clearing Customer and kept by the Clearing Participant on Customer Account with the consent of the Clearing Customer for the purpose of securing the obligations of such Clearing Customer set forth in Item 2 of Paragraph 1 of Article 61;
- (1)-4 “Customer Transaction Account” means a customer transaction account set forth in Paragraph 2 of Article 59;
- (1)-5 “Index CDS Transaction” means a CDS Transaction for which any of the iTraxx Japan (whatever the type, series, or version is) is designated as the index applied to such CDS Transaction (hereinafter referred to as “Index”) by an agreement between the parties to such CDS Transaction and which refers to multiple Reference Entities listed on the table of Reference Entities corresponding to such Index published by Markit Group Limited;
- (2) “Parent Company, etc.” means a parent company of a Legal Entity, etc. (meaning any other Legal Entity, etc. controlling the financial and business policy of such Legal Entity, etc., including a parent company of such other Legal Entity, etc.; the same shall apply hereinafter in this Item) and a subsidiary of a parent company of such Legal Entity, etc. (meaning any other Legal Entity, etc. whose financial and business policy is controlled by a parent company of such Legal Entity, etc., including a subsidiary of such other Legal Entity, etc.) and other persons deemed by JSCC as those equivalent to the foregoing;
- (3) “Guarantee by Parent Company, etc.” means a guarantee extended by the Parent Company, etc. of a Clearing Participant to secure the obligation of such Clearing Participant owing to JSCC by submitting a letter of guarantee in the form prescribed

by JSCC (including other documents deemed by JSCC to have the same contents as such letter of guarantee) to JSCC;

- (4) “Corporate Group” means a corporate group set forth in Item 2 of Paragraph 1 of Article 5 of the Financial Instruments and Exchange Act;
- (5) “Early Termination” means a termination of a Clearing Contract before the Termination Date due to any reason other than Compression or Ad Hoc Compression;
- (6) “Early Termination Fee” means, in the case of Early Termination of a Clearing Contract, money received and paid between the parties to such Clearing Contract;
- (7) “Rules” collectively means the rules prescribed by JSCC under these Business Rules (in whatever name and including the amendments thereto, if any);
- (8) “Business Holiday” collectively means holidays set forth in Paragraph 1 of Article 5 and extraordinary holidays set forth in Paragraph 2 of the same Article;
- (9) “Money, etc.” means cash, securities, claims and any other property;
- (10) “Credit Event Announcement” means a public announcement made by JSCC pursuant to Paragraph 5 of Article 81 in the case of determination of occurrence of an event constituting an Credit Event in connection with a Clearing Contract and a Reference Entity (or the Obligation thereof);
- (10)-2 “Settlement Amount” means, in respect of a Clearing Contract, the amount of monies to be paid and received between JSCC and a Clearing Participant (excluding those to be paid and received as CDS Clearing Fund, Initial Margin, Variation Margin and interest on Variation Margin) (or, if such monies are paid and received on a net basis pursuant to the provisions of Paragraph 2 of Article 80 hereof among such monies, the amount so netted);
- (11) “Failure of Settlement” means a default or threatened default in the performance of obligations under a Clearing Contract or any other obligations under these Business Rules, etc. in whole or in part by the due date thereof;
- (12) “Uniform International Standard” means the uniform international standard set forth in Paragraph 4 of Article 1 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 39, 2000), Paragraph 4 of Article 1 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied Mutatis Mutandis pursuant to Article 17 of the Long Term Credit Bank Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 40, 2000), or Paragraph 5 of Article 3 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied Mutatis Mutandis pursuant to Article 89, Paragraph 1 of Shinkin

Bank Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 41, 2000);

- (13) “Standard in Japan” means the standard in Japan set forth in Paragraph 5 of Article 1 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act”, Paragraph 5 of Article 1 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied Mutatis Mutandis pursuant to Article 17 of the Long Term Credit Bank Act”, or Paragraph 4 of Article 3 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied Mutatis Mutandis pursuant to Article 89, Paragraph 1 of the Shinkin Bank Act”;
- (13)-2 “Compression” means a process to have Clearing Contract(s) terminated before its scheduled Termination Date and have new Clearing Contract(s) simultaneously established in a manner prescribed by JSCC in accordance with the provisions of Article 53;
- (14) “Assumption of Obligation” means execution of a CDS Transaction between JSCC and each Clearing Participant who is a party to an Eligible CDS Transaction pursuant to Article 49;
- (15) “Substituted Initial Margin” means an Initial Margin deposited at its own cost by a Clearing Participant on Customer Account with JSCC for and on behalf of itself and its Clearing Customers in respect of a Clearing Contract (Customer Account) to which the Clearing Participant on Customer Account is a party;
- (16) “Net Capital Amount” means, in respect of a Financial Instrument Business Operator, the amount of unfixed equity capital set forth in Item 2 of Paragraph 4 of Article 1 of the Cabinet Office Ordinance Concerning Financial Instruments Business Operator etc. (Cabinet Office Ordinance No. 52 of 2007); and in respect of a Registered Financial Institution other than insurance company or shinkin bank having one or more overseas office, the amount of gross equity capital used for the calculation of the non-consolidated gross capital adequacy ratio based on the Uniform International Standard (in the case of a foreign bank, the amount equivalent to such amount); and in respect of a Registered Financial Institution other than insurance company having no overseas office and a Registered Financial Institution which is a shinkin bank having one or more overseas office, the amount of equity capital used for the calculation of the non-consolidated capital adequacy ratio based on the Standard in Japan; and in respect of a Registered Financial Institution which is an insurance company, the amount of net assets;
- (17) “Capital-to-Risk Ratio” means the capital-to-risk ratio set forth in Paragraph 1 of Article 46-6 of the Financial Instruments and Exchange Act;
- (17)-2 “Proprietary Transaction Account” means a proprietary transaction account set forth in Paragraph 2 of Article 59;

- (18) "Clearing Participant on Customer Account" means a Clearing Participant who has entered into a Clearing Brokerage Agreement with a Clearing Customer;
- (19) "Margin" collectively means Initial Margins, Customer Initial Margins and Variation Margins;
- (20) "Net Present Value" means the value calculated by discounting the future cash-flows arising from a CDS Transaction to the present value according to the method prescribed by JSCC;
- (20)-2 "Single Name CDS Transaction" means a CDS Transaction which refers to one Reference Entity;
- (20)-3 "Pre-Definition Update Clearing Contracts" means all Clearing Contracts existing as of September 22, 2014 and Clearing Contracts which will come into effect by JSCC assuming obligations of Eligible CDS Transactions designated by JSCC in a public notice on or after September 22, 2014.
- (21) "Clearing Customer" means a person who has entered into a Clearing Brokerage Agreement with a Clearing Participant and submitted a letter of undertaking prescribed in Paragraph 2 of Article 42 to JSCC (limited to the person who satisfies the requirements prescribed by JSCC);
- (22) "Clearing Brokerage Contract" means a legal relationship between a Clearing Participant on Customer Account and a Clearing Customer agreed upon through an individual entrustment of Brokerage for Clearing of Securities, etc. in accordance with the Clearing Brokerage Agreement, which has the same economic value as that of the Clearing Contract (Customer Account) agreed upon through such entrustment;
- (23) "Clearing Participant" means a person who is granted the CDS Clearing Qualification;
- (24) "Clearing Participant Agreement" means an agreement between JSCC and a Clearing Participant which incorporates the terms of these Business Rules, etc. to be entered into in the form prescribed by JSCC;
- (25) "Clearing Brokerage Agreement" means an agreement to be entered into between a Clearing Customer and a Clearing Participant in the form prescribed by JSCC (including any agreements entered into between a Clearing Participant and a Clearing Customer in accordance with such agreement) for the purpose of entrustment of Brokerage for Clearing of Securities, etc. in connection with CDS Transactions;
- (26) "Underlying Transaction of Clearing Brokerage" means a CDS Transaction between a Clearing Customer and a Clearing Participant or another Clearing Customer which underlies for Brokerage for Clearing of Securities, etc.;

- (27) “Clearing Contract” means a CDS Transaction between JSCC and a Clearing Participant executed as a result of Assumption of Obligation by JSCC;
- (26)-2 “Clearing Brokerage Account” means a clearing brokerage account as set forth in Paragraph 1 of Article 60;
- (28) “Clearing Contract (Customer Account)” means a Clearing Contract executed by a Clearing Participant on Customer Account based on entrustment of Brokerage for Clearing of Securities, etc. by a Clearing Customer on the account of the Clearing Customer;
- (29) “Clearing Contract (Own Account)” means a Clearing Contract executed by a Clearing Participant on its own account;
- (30) “Notional Amount” means the amount equivalent to the “Original Notional Amount” under STS (in respect of Eligible CDS Transactions to which STS does not apply, the amount agreed by the parties to the Eligible CDS Transaction as the amount equivalent to Floating Rate Payer Calculation Amount and Fixed Rate Payer Calculation Amount);
- (31) “First Tier CDS Settlement Guarantee Reserve” means an amount of reserve accumulated by JSCC in accordance with the Rules prescribed by JSCC to be applied to recover any loss caused by a Default, etc. of a Clearing Participant;
- (32) “Second Tier CDS Settlement Guarantee Reserve” means an amount of reserve accumulated by JSCC in accordance with the Rules prescribed by JSCC to be applied to recover any loss caused by a Default, etc. of a Clearing Participant;
- (32)-2 “Second Tier Clearing Participant Bearing Limit” means, for each Clearing Participant whose CDS Clearing Fund deposited with JSCC is applied for recovery pursuant to Article 104 hereof, the Required CDS Clearing Fund Amount of such Clearing Participant as of the JSCC Business Day immediately preceding the start date of the Default Settlement Period in which the Default Determination Date in respect of the Defaulting Clearing Participant set forth in Paragraph 1 of the same Article falls.
- (33) “Third Tier Special Clearing Charge” means cash paid by a Clearing Participant to JSCC in accordance with the provisions of Article 105;
- (34) “Third Tier Special Clearing Charge Collateral” means cash deposited by a Clearing Participant with JSCC for the purpose described in Item 1 of Paragraph 1 of Article 107;
- (35) “Fourth Tier Special Clearing Charge” means cash paid by a Clearing Participant to JSCC in accordance with the provisions of Article 106;

- (36) “Fourth Tier Special Clearing Charge Collateral” means cash deposited by a Clearing Participant with JSCC for the purpose described in Item 2 of Paragraph 1 of Article 107;
- (37) “Substitute Securities” mean the securities specified by JSCC as may be deposited as substitute for CDS Clearing Funds, Initial Margins, Customer Initial Margins or Default Contingent Margin;
- (38) “Other Clearing Business” means the Financial Instruments Obligation Assumption Service, etc. and businesses incidental thereto carried out by JSCC excluding CDS Clearing Businesses;
- (39) “Eligible CDS Transaction” means a CDS Transaction between Clearing Participants of an Issue designated by JSCC, which satisfies the requirements prescribed by JSCC;
- (40) “JSCC Business Day” means any day other than a Business Holiday;
- (41) “Initial Margin” means any cash or Substitute Securities deposited with JSCC by a Clearing Participant or a Clearing Customer for the purpose of securing the obligations prescribed in Item 1 of Paragraph 1 of Article 61;
- (42) “Special Clearing Charge” collectively refers to the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge;
- (43) “Special Clearing Charge Collateral” collectively refers to the Third Tier Special Clearing Charge Collateral and the Fourth Tier Special Clearing Charge Collateral;
- (44) “Default Contingent Margin” means monies or Substitute Securities to be deposited with JSCC by a Clearing Participant for the purpose of securing the obligations set forth in Paragraph 1 of Article 107-2 hereof.
- (45) “Default Settlement Period” means, for a Clearing Participant who has been determined to be in Default, etc. (except where the Default Settlement Period has already started at the time of such determination), a period of 30 days from the Default Determination Date for such Clearing Participant (and if another Clearing Participant is determined to be in Default, etc. during such period, such period shall be extended until the day on which 30 days have elapsed from the Default Determination Date for such other Clearing Participant, and if any further Clearing Participant is determined to be in Default, etc. during such extended period, such period shall be further extended in the same manner);
- (46) “Auction for Default Settlement” means the Auction for Default Settlement prescribed in Article 96;
- (47) “Defaulting Clearing Participant” means a Clearing Participant whose Default, etc.

has been determined by JSCC to have occurred;

(48) “Default, etc.” means any of the following events:

- a. To become, or be likely to become, unable to pay (as prescribed in Paragraph 11 of Article 2 of the Bankruptcy Act (Act No. 75 of 2004)) or to become insolvent with excess liabilities (as prescribed in Paragraph 1 of Article 16 of the Bankruptcy Act);
- b. To become subject to suspension of transactions by a clearinghouse or an Electronic Monetary Claim Recording Institution defined in Article 2, Paragraph 2 of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007);
- c. To become subject to suspension of payment (meaning suspension of payment by which insolvency is presumed pursuant to the provisions of Paragraph 2 of Article 15 of the Bankruptcy Act) or occurrence of similar events;
- d. To dissolve itself (excluding dissolution due to a merger);
- e. Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings or commencement of special liquidation or acknowledgement of foreign insolvency proceedings is filed (including the petitions equivalent thereto under any foreign laws and regulations); or
- f. An event which causes commencement of bankruptcy proceedings, rehabilitation proceedings, reorganisation proceedings or special liquidation (including that equivalent thereto under any foreign laws and regulations) has occurred;

(49) “Default Determination Date” means a day on which JSCC has determined a Default, etc. of a Clearing Participant to have occurred;

(50) Deleted;

(51) “Non-resident” means a non-resident prescribed in Item 6 of Paragraph 1 of Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949);

(52) “Floating Payment” means Money, etc. to be paid and received between the parties to a Clearing Contract at the Settlement or any other Money, etc. prescribed by JSCC;

(53) “Variation Margin” shall collectively refer to the monies listed in the following Items:

- a. The money received and paid between a Clearing Participant and JSCC on each JSCC Business Day for the purpose of securing the obligations listed in Item 3 of Paragraph 1 of Article 61;
- b. The money received and paid between a Clearing Participant on Customer Account and JSCC on each JSCC Business Day for the purpose of securing the obligations listed in Item 4 of Paragraph 1 of Article 61; and
- c. The money received and paid between a Clearing Participant on Customer Account and a Clearing Customer on each JSCC Business Day for the

purpose of securing the obligations listed in Item 5 of Paragraph 1 of Article 61.

- (53)-2 “Variation Margin, etc.” means Variation Margin, interest on Variation Margin, Fixed Amount and Floating Payment.
- (54) “Legal Entity, etc.” means a corporate body, an association or any other entities equivalent thereto (including overseas entities equivalent thereto);
- (55) “Business Rules, etc.” shall collectively refer to these Business Rules, the Rules and Documents Handling ISDA-Related Documents;
- (56) “Issue” means a class of CDS Transaction specified by the terms of CDS Transaction prescribed by JSCC;
- (57) “Consolidated Capital-to-Risk Ratio” means the consolidated capital-to-risk ratio set forth in the Article 2 of “Establishment of Criteria for Judgment on the Adequacy of Equity Capital of a Special Financial Instruments Business Operator and its Subsidiary Entities in Light of Assets, etc. Held by Such Special Financial Instruments Business Operator and its Subsidiary Entities”(Financial Services Agency Public Notice No. 128 of 2010);
- (58) “Officer” means an officer prescribed in Article 329 of the Company Act (Act No.86 of 2005) (in respect of a Legal Entity, etc. other than a limited company (Kabushiki Kaisha), a person who is treated as equivalent to an officer of a limited company (Kabushiki Kaisha) under the applicable laws and regulations);
- (58)-2 “Successful Bid Amount” means the amount payable by JSCC to each Successful Bidder Participant upon the execution of the Subject Transaction for Auction. In the case where such amount is a negative value, however, the Successful Bidder Participant shall pay the amount equivalent to the absolute value of such amount to JSCC upon the execution of the Subject Transaction for Auction.
- (59) “CDS Clearing Fund” means cash or Substitute Securities deposited with JSCC by each Clearing Participant for the purpose set forth in Paragraph 1 of Article 17;
- (60) “CDS Clearing Qualification” means a qualification to become a counterparty of JSCC in a Clearing Contract in accordance with these Business Rules, etc. which may be granted or cancelled by JSCC;
- (61) “CDS Transaction” means a Credit Default Swap Transaction which is an OTC derivatives transaction prescribed in Item 6 (a) of Paragraph 22 of Article 2 of the Financial Instruments and Exchange Act;
- (62) “ISDA” means International Swaps and Derivatives Association, Inc.;

- (63) “Documents Handling ISDA-Related Documents” mean the documents prescribed by JSCC by notification to Clearing Participants or public notice in connection with the matters necessary to apply the ISDA Master Agreement and the ISDA Credit Derivatives Definitions to a Clearing Contract and any other matters in accordance with the provisions of the Rules;
 - (64) “ISDA Master Agreement” means the 2002 ISDA Master Agreement published by ISDA in 2003 (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC) which shall be applied to Clearing Contracts;
 - (65) “ISDA Credit Derivatives Definitions” means the 2014 ISDA Credit Derivatives Definitions published by ISDA in 2014 (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC).
 - (65)-2 “ISDA Credit Derivatives Definitions (2003 Version)” means the 2003 ISDA Credit Derivatives Definitions published by ISDA in 2003 (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC)
 - (66) “STS” means the iTraxx Asia/Pacific Untranchd Standard Terms Supplement published in September 2014 (including any changes, amendments or supplements published in writing that are specified by JSCC).
 - (67) “STS (2010 Version)” means the iTraxx Japan Untranchd Standard Terms Supplement published in November 2010 (including any changes, amendments or supplements published in writing that are specified by JSCC).
 - (68) “2003 Version Clearing Contract” means the Clearing Contract to which ISDA Credit Derivatives Definitions (2003 Version) applies pursuant to the provisions of Paragraph 1 of Article 51.
- 2 The terms listed in the “Term” column in the table attached hereto as the Annex 1 among the terms used in these Business Rules, etc., shall refer to the corresponding terms listed in the “ISDA Credit Derivatives Definitions” column as defined in the relevant section of the “ISDA Credit Derivatives Definitions” stated in the “Section” column.
- 3 Notwithstanding the provisions of the immediately preceding Paragraph, with respect to 2003 Version Clearing Contracts, the terms listed in the “Term” column in the table attached hereto as Annex 2 among the terms used in these Business Rules, etc., shall refer to the corresponding terms listed in the “ISDA Credit Derivatives Definitions (2003 Version)” column as defined in the relevant section of the “ISDA Credit Derivatives Definitions (2003 Version)” stated in the “Section” column.
- 4 If there is a discrepancy between the meaning of any term used in the Financial Instruments and Exchange Act or the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts) and these

Business Rules, etc., the meaning in these Business Rules, etc. shall prevail.

(Article 3 Financial Instruments Obligation Assumption Service, etc.)

JSCC shall carry out the Financial Instruments Obligation Assumption Service for CDS Transactions in accordance with these Business Rules, etc. and the businesses related thereto as prescribed in Paragraph 1 of Article 156- 6 of the Financial Instruments and Exchange Act.

(Article 4 Subject Transaction for Clearing)

The transactions which give rise to obligations subject to CDS Clearing Business carried out by JSCC (hereinafter referred to as “Subject Transaction for Clearing”) shall be Eligible CDS Transactions.

(Article 5 Business Holiday)

1 JSCC sets forth the following days as the Business Holidays:

- (1) Sundays;
- (2) National holidays prescribed by the Act on National Holidays (Act No. 178 of 1948);
- (3) Saturdays; and
- (4) 2 January, 3 January and 31 December.

2 JSCC may, only when it deems necessary to do so in order to suspend all of CDS Clearing Business for one day or longer due to an Act of God, social turmoil such as war or riot, failure of entire function of social infrastructure such as electricity or telecommunications, orders by public institutions such as courts, or any other unavoidable reasons, establish extraordinary holidays only to such extent.

3 JSCC may, only when it deems necessary to do so in order to secure appropriate execution of CDS Clearing Business, temporarily suspend or temporarily carry out all or part of the CDS Clearing Business only to such extent.

4 In the cases of the preceding two Paragraphs, JSCC shall notify all Clearing Participants to that effect in advance.

(Article 6 Handling of Indication of Intention to Other Clearing Participant or Other Clearing Customer)

1 In the case where a Clearing Participant or a Clearing Customer indicates its intention to any other Clearing Participant or any other Clearing Customer against JSCC in accordance with these Business Rules, etc., JSCC shall receive such indication of intention on behalf of such other Clearing Participant or Clearing Customer.

2 JSCC shall, by the method prescribed by JSCC, take necessary measures under which a Clearing Participant or a Clearing Customer is able to know if there is any indication of intention made to it as prescribed in the preceding Paragraph and, if there is any, the details thereof.

(Article 7 Substitute Securities)

- 1 The substitute prices of Substitute Securities shall be specified by JSCC; provided that JSCC may change the substitute prices temporarily when it specifically deems it necessary to do so for proper evaluation of the collateral value of Substitute Securities, including without limitation in the case of occurrence of significant changes in the market values.
- 2 JSCC shall determine the manner of deposit of Substitute Securities and other necessary matters in respect of Substitute Securities.

Chapter 2 Clearing Participant

Section 1 Acquisition of CDS Clearing Qualification

(Article 8 Application for and Approval of CDS Clearing Qualification)

- 1 A person listed below may, as prescribed by JSCC, apply for a CDS Clearing Qualification to JSCC:
 - (1) Financial Instruments Business Operator (limited to those registered for operation of business in respect of the acts listed in Item 2 of Paragraph 1 of Article 28 of the Financial Instruments and Exchange Act); or
 - (2) Registered Financial Institution
- 2 When an application for CDS Clearing Qualification is filed in accordance with the immediately preceding Paragraph and JSCC deems it appropriate to approve the grant of CDS Clearing Qualification to the applicant for CDS Clearing Qualification (hereinafter referred to as “Applicant”) based on the results of the examination set forth in the following Article (hereinafter referred to as “Examination”) from the viewpoint of securing appropriate execution of CDS Clearing Business by JSCC, JSCC shall approve the acquisition of such CDS Clearing Qualification by such Applicant.
- 3 Notwithstanding the provisions of Paragraph 1, a Specified Successor Financial Institution (as defined in Item (5) of Paragraph 3 of Article 126-34 of the Deposit Insurance Act (Act No. 34 of 1971); the same applies hereinafter) may apply to JSCC for a CDS Clearing Qualification according to the procedures as prescribed by JSCC. If such application is made, JSCC may approve the acquisition of CDS Clearing Qualification by such Applicant.
- 4 The approval in preceding two Paragraphs will be granted by designating the date on which the Applicant is granted the CDS Clearing Qualification (hereinafter referred to as the “Qualification Target Date” in this Section).
- 5 An Applicant who seeks to obtain a Guarantee by Parent Company, etc. from its Parent Company, etc. (hereinafter referred to as “Applicant under Guarantee” in this Section) shall submit the document in the form prescribed by JSCC in respect of such Guarantee by Parent Company, etc. (including the documents deemed by JSCC to have the same contents as such document) at the filing of the application for CDS Clearing Qualification in accordance with Paragraph 1 above.

(Article 9 Requirements for CDS Clearing Qualification)

1 The Examination shall be carried out in respect of the following matters concerning the Applicant, examination viewpoints that are prescribed by JSCC in a separate notification or a public notice and other matters deemed necessary from the viewpoint of securing appropriate execution of CDS Clearing Business by JSCC:

(1) Management Structure

The Applicant has a sound management structure (e.g., it is not controlled or influenced by a person who is deemed inappropriate from the perspective of JSCC's operation of CDS Clearing Business) such that the social credibility of CDS Clearing Business carried out by JSCC can be expected to be sufficiently protected.

(2) Financial Basis

In accordance with the classifications of Applicant set forth in a. or b. below, the Applicant is expected to satisfy the requirements prescribed in a. or b. below and to have stable profitability as a Clearing Participant as of the Qualification Target Date:

a. Financial Instruments Business Operator:

- (a) Its Net Capital Amount is not less than 100 billion yen;
- (b) Its Capital-to-Risk Ratio is more than 200% (or 250% in the case where JSCC deems it necessary in light of its credit standing);
- (c) In respect of a Special Financial Instrument Business Operator (limited to the person filing the notification prescribed in Paragraph 2 of Article 57-5 of the Financial Instruments and Exchange Act; the same shall apply hereinafter), Consolidated Capital-to-Risk Ratio is more than 200% (or 250% in the case where JSCC deems it necessary in light of its credit standing); and
- (d) It has sufficient creditworthiness.

b. Registered Financial Institution:

- (a) Its Net Capital Amount is not less than 100 billion yen;
- (b) In respect of a Registered Financial Institution subject to Uniform International Standards, an applicant satisfies the conditions specified in (i) to (iii) below (in the case of a foreign bank, it shall satisfy the conditions equivalent to the foregoing):
 - (i) its non-consolidated or consolidated Common Equity Tier 1 ratio (or non-consolidated or consolidated common investment Tier 1 ratio for an institution which operates with investments from its members, the same shall apply hereinafter) is more than 4.5% (or 5.625% in the case where JSCC deems it necessary in light of its credit standing);
 - (ii) its non-consolidated or consolidated Tier 1 ratio is more than 6% (or 7.5% in the case where JSCC deems it necessary in light of its credit standing);
 - (iii) its non-consolidated or consolidated Total Capital ratio is more than 8% (or 10% in the case where JSCC deems it necessary in light of its credit standing);
- (c) In respect of a Registered Financial Institution other than

those subject to Uniform International Standards, foreign banks and insurance companies (hereinafter referred to as “Financial Institution subject to Japanese Standard”), its non-consolidated or consolidated capital adequacy ratio is more than 4% (or 5% in the case where JSCC deems it necessary in light of its credit standing) under the Standard in Japan;

- (d) In respect of an insurance company, its non-consolidated or consolidated solvency margin ratio is more than 400% (or 500% in the case where JSCC deems it necessary in light of its credit standing); and
- (e) It has sufficient creditworthiness.

(3) Business Execution Structure:

- a. The Applicant has an appropriate structure of business execution for the settlement of Clearing Contracts, management of the risk of loss and compliance with laws and regulations, dispositions of the administrative agencies in accordance with the laws and regulations, and these Business Rules, etc.; and
- b. The outstanding amount of CDS Transactions (meaning the total amount of the Notional Amounts of the outstanding CDS Transactions; the same shall apply in this Item) of the Applicant or the Corporate Group including the Applicant is not less than 500 billion yen (or, in the case where the outstanding amount of CDS Transactions is calculated for the Corporate Group including the Applicant, 500 billion yen multiplied by the number of Clearing Participants belonging to the Corporate Group), and the Applicant otherwise maintains a structure of execution of business which enables it to participate in the procedures for the settlement of Clearing Contracts entered into by a Clearing Participant in respect of whom default has occurred.

2 In respect of an Applicant under Guarantee, the Examination shall be conducted in accordance with the classifications of Applicant under Guarantee set forth in the following Items, to review if the Applicant under Guarantee is expected to satisfy the requirements prescribed in each Item below instead of the matters set forth in Item 2 of the preceding Paragraph, and to have stable profitability as a Clearing Participant as of the Qualification Target Date:

(1) Financial Instruments Business Operator

- a. Its Net Capital Amount is not less than 50 billion yen and the Net Capital Amount (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution, the amount equivalent thereto) of its Parent Company, etc. (limited to the Parent Company, etc. of such Applicant under Guarantee which provides Guarantee by Parent Company, etc. to such Applicant under Guarantee; the same shall apply in this Paragraph) is not less than 100 billion yen (or, in the case where a Parent Company, etc. provides Guarantee by Parent Company, etc. to more than one Clearing Participant, the amount obtained by multiplying 100

billion yen by the number of the Clearing Participants guaranteed by the Parent Company, etc. (or, in the case where a Parent Company, etc. itself is a Clearing Participant, add one (1) to the number of the guaranteed Clearing Participants; the same shall apply in the following Item));

- b. The Applicant under Guarantee satisfies the requirements in Item (2)a.(b) and (c) of the preceding Paragraph, or its Parent Company, etc. satisfies any of the requirements in Item (2)a.(b) and (c) or b.(b) to (d) of the preceding Paragraph (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operators or a Registered Financial Institution, it satisfies the requirements equivalent thereto). In this case, the credit standing shall be judged by the credit standing of the Parent Company, etc.; and
- c. The Parent Company, etc. has sufficient creditworthiness.

(2) Registered Financial Institution

- a. Its Net Capital Amount is not less than 50 billion yen and the Net Capital Amount of its Parent Company, etc. (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution, the amount equivalent thereto) is not less than 100 billion yen;
- b. The Applicant under Guarantee satisfies the requirement in Item (2)b.(b) of the preceding Paragraph, or its Parent Company, etc. satisfies any of the requirements in Item (2)a.(b) and (c) or b.(b) to (d) of the preceding Paragraph (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution, it satisfies any equivalent requirements). In this case, its credit standing shall be judged by the credit standing of the Parent Company, etc.; and
- c. The Parent Company, etc. has sufficient creditworthiness.

(Article 10 Completion of Procedures for Acquisition of CDS Clearing Qualification)

- 1 When JSCC has approved CDS Clearing Qualification pursuant to the provisions of Paragraph 2 of Article 8, the approved Applicant shall complete the deposit of CDS Clearing Funds and other procedures prescribed by JSCC for acquisition of CDS Clearing Qualification by the JSCC Business Day immediately preceding the Qualification Target Date.
- 2 When the Applicant in the preceding Paragraph fails to complete the procedures prescribed in the same Paragraph by the JSCC Business Day immediately preceding the Qualification Target Date, such application for CDS Clearing Qualification shall be deemed to have been withdrawn.
- 3 When JSCC approves the acquisition of CDS Clearing Qualification pursuant to Paragraph 3 of Article 8, the approved Applicant shall deposit CDS Clearing Funds and follow other procedures as required by JSCC on or before the date designated by JSCC.

(Article 11 Execution of Clearing Participant Agreement)

The Applicant prescribed in Paragraph 1 or 3 of the preceding Article shall enter into the

Clearing Participant Agreement in the form prescribed by JSCC with JSCC by the Qualification Target Date.

(Article 12 Date of Acquisition of CDS Clearing Qualification)

- 1 When the Applicant has completed the procedures set forth in Paragraph 1 of Article 10 or those procedures set forth in Paragraph 3 of Article 10 and entered into the Clearing Participant Agreement pursuant to the preceding Article, JSCC shall grant CDS Clearing Qualification to the Applicant on the Qualification Target Date. When the Applicant is subject to Paragraph 3 of Article 10, the provisions of this Paragraph shall apply only for the procedures which JSCC requires the Applicant to follow by the Qualification Target Date.
- 2 When JSCC grants CDS Clearing Qualification to the Applicant in accordance with the preceding Paragraph, JSCC shall promptly notify the other Clearing Participants and make public announcement to that effect.

Section 2 Obligations of Clearing Participants

(Article 13 Representative of Clearing Participant)

- 1 A Clearing Participant shall, as prescribed by JSCC, notify JSCC in advance of a person who represents the Clearing Participant as the representative of the Clearing Participant among its representative directors or representative executive officers (in the case where a Clearing Participant is a foreign entity, its representatives in Japan).
- 2 Only a representative of Clearing Participant shall represent the Clearing Participant vis-à-vis JSCC; provided, however, that as for daily routine operations, a Clearing Participant may have a deputy for daily routine operations by specifying in advance the scope of such operations and registering such person with JSCC.

(Article 14 Person in Charge of Settlement Operation)

A Clearing Participant shall appoint a person in charge of supervising the operation of the settlement of Clearing Contracts from among its Officers and employees, and notify JSCC of such person pursuant to the Rules of JSCC.

(Article 15 Concerted or Controlling Relationship with Officers or Other Persons)

- 1 Only when JSCC deems that a concerted or controlling relationship of a Clearing Participant with its Officer or any other person is inappropriate from the perspective of JSCC's operation of the CDS Clearing Business, JSCC may, after having a hearing for such Clearing Participant and presenting the reason therefor, request changes to such relationship; provided, however, that if the Clearing Participant submits a written statement, such submission may substitute the hearing.
- 2 The procedures of the hearing in the preceding Paragraph shall be in the manner prescribed by JSCC.
- 3 When the Clearing Participant refuses the hearing in Paragraph 1 without justifiable grounds, JSCC may issue a request for changes prescribed in the said Paragraph without a hearing.

- 4 When the Clearing Participant deems that the request for changes made by JSCC pursuant to the provisions of Paragraph 1 is unwarranted, the Clearing Participant may file a petition in writing against such request with JSCC presenting the reason therefor within 10 days after the receipt of the notice of the request for changes.
- 5 When JSCC receives the petition in the preceding Paragraph, it shall convene a board meeting without delay.
- 6 In the case where the board meeting in the preceding Paragraph deems appropriate to modify or withdraw the request for changes in Paragraph 1, such request for changes shall be immediately modified or withdrawn.

(Article 16 Payment of Fees by Clearing Participant)

A Clearing Participant shall pay the fees prescribed by the Rules of JSCC to JSCC pursuant to such Rules.

(Article 17 Deposit of CDS Clearing Fund)

- 1 A Clearing Participant shall deposit the CDS Clearing Fund with JSCC pursuant to the Rules of JSCC in order to ensure the performance of any and all obligations of such Clearing Participant owed to JSCC in respect of CDS Clearing Business (hereinafter referred to as “Collateralised Obligation” in Paragraph 4) and to recover losses incurred by JSCC as prescribed in these Business Rules, etc. when JSCC has determined a Default, etc. of any other Clearing Participant to have occurred.
- 2 When the deposited balance of the CDS Clearing Fund (when the whole or part of the deposited CDS Clearing Fund has been withdrawn for the purpose of recovering losses to JSCC in accordance with these Business Rules, etc. in the case where JSCC has determined a Default, etc. of any other Clearing Participant to have occurred, the balance after such withdrawal; the same shall apply hereinafter) falls short of the required amount of such CDS Clearing Fund prescribed by the Rules of JSCC (hereinafter referred to as “Required CDS Clearing Fund Amount”), the Clearing Participant shall deposit with JSCC an amount at least equal to such shortfall by 2:00 p.m. on the JSCC Business Day immediately following the day on which such shortfall occurs.
- 3 In the case where the amount of the CDS Clearing Fund deposited with JSCC by a Clearing Participant exceeds its Required CDS Clearing Fund Amount, the Clearing Participant shall be able to claim a return of the CDS Clearing Fund up to such excess amount to JSCC.
- 4 JSCC may appropriate the CDS Clearing Fund (in case of the CDS Clearing Fund in the form of Substitute Securities, the residual amount of cash proceeds from such securities deducted by the cost required for the realisation thereof) to redeem the Collateralised Obligation in accordance with these Business Rules, etc.
- 5 Deposits of CDS Clearing Fund shall be deemed to be deposits with consumption right (*shohi kitaku*) without compensation for collateral purpose in the case of the CDS Clearing Fund in

the form of cash; and loans with consumption right (*shohi taishaku*) without compensation for collateral purpose in the case of the CDS Clearing Fund in the form of Substitute Securities.

- 6 Notwithstanding the provisions of the Civil Code (Act No. 89 of 1986) and Commercial Code (Act No. 48 of 1899), a Clearing Participant shall have the right to make request for return of the CDS Clearing Fund and any other requests only in the case where so prescribed in these Business Rules, etc.

(Article 18 Release in respect of CDS Clearing Business)

JSCC shall not be held liable to indemnify a Clearing Participant or a Clearing Customer for the damages suffered by it in the course of its business operation in relation to the CDS Clearing Businesses carried out by JSCC (excluding damages resulting from failure of obligations concerning Clearing Contracts and other damages prescribed by JSCC) unless a wilful misconduct or gross negligence on the part of JSCC is found.

(Article 19 Matters to be Notified)

When a Clearing Participant intends to carry out any of the following actions (in the case where a Clearing Participant is guaranteed by its Parent Company, etc., when such Clearing Participant or such Parent Company, etc. intends to carry out any of the following action), it shall notify JSCC of the details in advance (in the case where notification in advance is impossible or significantly difficult in terms of compliance with laws or other unavoidable reasons, promptly afterwards) pursuant to the Rules of JSCC:

- (1) Discontinuance of its business (in the case of a Financial Instruments Business Operator, the business set forth in Item 2 of Paragraph 1 of Article 28 of the Financial Instruments and Exchange Act; and in the case of a Registered Financial Institution, the registered financial institution business);
- (2) Merger in which the Clearing Participant becomes an extinct company and is merged into another company and, or merger in which the Clearing Participant merges with another company and establishes a new company;
- (3) Dissolution of the Clearing Participant due to any reason other than merger or decision to commence bankruptcy proceeding;
- (4) Succession by another company of all or a part of the business of the Clearing Participant due to a demerger (limited only to the businesses related to CDS Transactions: the same shall apply in this Article, Article 24, Paragraph 7 of Article 28, Article 40, Article 40-2, Article 40-3 and Article 40-4);
- (5) Transfer of all or a part of business;
- (6) Merger in which the Clearing Participant becomes a surviving company after being merged with another company (limited only to those related to the businesses related to CDS Transactions);
- (7) Succession of all or a part of the business from another company due to a demerger;
- (8) Acquisition of all or a part of business;
- (9) Change in the trade name or corporate name (including a change in the trade name or corporate name in English); and
- (10) Change in the address of its headquarters or principal office.

(Article 20 Matters to be Reported)

When a Clearing Participant falls under the circumstances prescribed by JSCC, it shall immediately report on the details thereof to JSCC.

(Article 21 Inspection on Clearing Participant)

1 In the case where JSCC deems it necessary to do so in terms of the ensuring of appropriate and sound execution of CDS Clearing Business taking into account the degree of possible influence of the following matters in respect of a Clearing Participant on the CDS Clearing Business of JSCC and other circumstances, only to the extent of such necessity, JSCC may request the Clearing Participant to file a report or submit documents which should serve as reference in respect of the business or assets of the Clearing Participant (in the case where the Clearing Participant is guaranteed by its Parent Company etc., of either the Clearing Participant or its Parent Company, etc; the same shall apply in Items 2 and 3), or may have its employees inspect the Clearing Participant's business, financial condition, books, documents, or other evidences:

- (1) The status of a Clearing Participant's compliance with these Business Rules, etc.;
- (2) The financial condition of a Clearing Participant; and
- (3) The certainty of the performance of the Clearing Participant's obligation owed to JSCC.

2 Matters necessary for the inspection set forth in the preceding Paragraph shall be prescribed by JSCC in its Rules.

Section 3 Renunciation of CDS Clearing Qualification
upon application by Clearing Participant

(Article 22 Application for Renunciation of CDS Clearing Qualification)

- 1 When a Clearing Participant seeks to renounce its CDS Clearing Qualification, it shall apply for the renunciation thereof in the manner prescribed by JSCC.
- 2 When JSCC receives the application for renunciation of CDS Clearing Qualification set forth in the preceding Paragraph, JSCC shall notify to the other Clearing Participants and make public announcement to that effect promptly.

(Article 23 Renunciation of CDS Clearing Qualification)

- 1 In the case where a Clearing Participant applies for the renunciation of its CDS Clearing Qualification pursuant to Paragraph 1 of the preceding Article, the Clearing Participant will renounce its CDS Clearing Qualification either at the time designated by JSCC on the 30th day from and including the day that follows the day on which such application was made or at the time when all outstanding Clearing Contracts to which such Clearing Participant is a party (other than those designated by JSCC, the same shall apply in this Paragraph) are cancelled, whichever is later; or if the application was made during a Default Settlement Period or a Default Settlement Period starts during the period from the day on which such application was made until the renunciation of the CDS Clearing Qualification of such

Clearing Participant becomes effective, either at the time designated by JSCC on the day on which the Default Settlement Period ends or at the time when all outstanding Clearing Contracts to which such Clearing Participant is a party are cancelled, whichever is later).

- 2 When a Clearing Participant renounces its CDS Clearing Qualification pursuant to the provisions of the preceding Paragraph, JSCC shall notify to the other Clearing Participants and make public announcement to that effect.

(Article 24 Special Provisions for Merger, etc. of Clearing Participant Renouncing CDS Clearing Qualification)

Notwithstanding the provisions of Paragraph 1 of the preceding Article, when JSCC deems it unnecessary to have a Clearing Participant who applies for renunciation of its CDS Clearing Qualification cancel all outstanding Clearing Contracts in certain cases like that it is merged into, or causes its business through a corporate divestiture to be succeeded to by, or causes its business to be transferred to, another company that is to acquire or has already acquired the CDS Clearing Qualification simultaneously with its renunciation of CDS Clearing Qualification (in the case of a Clearing Participant on Customer Account, including when JSCC deems it unnecessary to have the Clearing Participant on Customer Account terminate all the relevant Clearing Brokerage Agreements), such Clearing Participant renounces its CDS Clearing Qualification at the time designated by JSCC on a case-by-case basis.

(Article 25 Return of CDS Clearing Fund upon Renunciation of CDS Clearing Qualification)

When the CDS Clearing Qualification of a Clearing Participant has been renounced (including renunciation due to a revocation; the same shall apply from this Article through Article 27), JSCC shall return the CDS Clearing Fund without delay; provided, however, that if there remain any obligations owed by such Clearing Participant to JSCC in respect of CDS Clearing Business and any other cases where JSCC deems that it is necessary to use its CDS Clearing Fund pursuant to these Business Rules, etc., JSCC may suspend the return of the CDS Clearing Fund to the extent of such necessity.

(Article 26 Performance of Obligation upon Renunciation of CDS Clearing Qualification)

- 1 The person whose CDS Clearing Qualification has been renounced shall use the cash and securities to which such person has the right to claim a return against JSCC in relation to the CDS Clearing Business of JSCC to satisfy all of its obligations owed to JSCC as Clearing Participant.
- 2 If the cash and securities prescribed in the preceding Paragraph are insufficient for satisfaction of all the obligations prescribed in the said Paragraph, the person whose CDS Clearing Qualification has been renounced as prescribed in the said Paragraph shall pay any and all the obligations equivalent to such shortfall by the day designated by JSCC on a case-by-case basis.

(Article 27 Application of these Business Rules, etc. in Case of Renunciation of CDS Clearing Qualification)

In the case where a Clearing Participant has had its CDS Clearing Qualification renounced, if there are claims and obligations which have generated based on any cause that has occurred before such renunciation, the provisions of these Business Rules, etc. shall apply to such claims and obligations.

Section 4 Measures to be taken in respect of Clearing Participants, etc.

(Article 28 Measures to be taken against Clearing Participant)

- 1 In the case where a Clearing Participant (in the case a Clearing Participant is guaranteed by its Parent Company, etc., the Clearing Participant or its Parent Company, etc.) falls under any of the events listed in the following Items, and when JSCC deems it necessary to do so in order to ensure appropriate and sound execution of CDS Clearing Business taking into account the cause of such event, possibility of its recurrence, degree of its possible influence on the CDS Clearing Business of JSCC and other circumstances, JSCC may, after having a hearing for such Clearing Participant and presenting the reason therefor, to the extent of such necessity, take the measure of the issuance of Instructions for Improvement (meaning the instructions issued to the relevant Clearing Participant in respect of improvements to be made to its business execution structure, etc., to the extent deemed necessary and appropriate for the operation of JSCC's CDS Clearing Business; the same shall apply hereinafter), suspension of all or part of new Assumption of Obligation for Subject Transaction for Clearing to which such Clearing Participant is a party, or revocation of the CDS Clearing Qualification of such Clearing Participant. In such case, the revocation of the CDS Clearing Qualification shall be subject to the resolution of the board of directors' meeting of JSCC:
 - (1) When the Clearing Participant does not submit the notification prescribed in Article 19 or the report prescribed in Article 20, or submits any false notification or report;
 - (2) When the Clearing Participant refuses, obstructs or evades the inspection prescribed in Article 21, or does not submit the report or document pursuant to the same Article or submits any false report or document;
 - (3) When its business execution structure is deemed to be flawed; and
 - (4) In addition to the cases set forth in the preceding three Items, when the Clearing Participant violates these Business Rules, etc. or measures which JSCC takes in accordance with the foregoing, or when JSCC deems it necessary to do so from the perspective of JSCC's operation of CDS Clearing Business in the case where the Clearing Participant damages the reputation of JSCC or the Clearing Participants.
- 2 In the case where JSCC deems that any Clearing Participant falls under any of the events listed in the following Items, and when JSCC deems it necessary to do so taking into account the cause of such event, possibility of its recurrence, degree of its possible influence on the CDS Clearing Business of JSCC and other circumstances, JSCC may, after having a hearing for such Clearing Participant and presenting the reason therefor, take the measure of suspension of all or part of new Assumption of Obligation for Subject Transaction for Clearing to which such Clearing Participant is a party and other measures JSCC deems it necessary and appropriate:
 - (1) When the Clearing Participant refuses to comply with a request for a change to the

- concerted or controlling relationship with any of its Officers or any other person in accordance with Article 15;
- (2) When a majority of the voting rights of all shareholders, etc. (meaning the voting rights for entire shareholders, entire partners, entire members, entire union members, or entire equity holders; in the case of a limited company (*Kabushiki Kaisha*), excluding the voting rights of shares whose voting rights cannot be exercised on any and all matters that may be resolved at general meetings of shareholders, but including the voting rights of shares which are deemed to have voting rights pursuant to Paragraph 3 of Article 879 of the Companies Act (Act No. 86 of 2005)) has come to be held by persons who are deemed to be inappropriate from the perspective of JSCC's operation of CDS Clearing Business; and
 - (3) When any person holding the same or a greater degree of control over the Clearing Participant as or than that held by a director or an executive officer is deemed to be inappropriate, regardless of his or her title such as consultant or advisor or otherwise, from the perspective of JSCC's operation of CDS Clearing Business.
- 3 In the case where JSCC determines that any Clearing Participant falls under any of the events listed in the following Items, JSCC may, after having a hearing for such Clearing Participant, take the measure of suspension of all or part of new Assumption of Obligation for Subject Transaction for Clearing to which such Clearing Participant is a party until such event ceases to exist, and revocation of the CDS Clearing Qualification of such Clearing Participant. In such case, the revocation of the CDS Clearing Qualification shall be subject to the resolution of the board of directors' meeting of JSCC:
- (1) In the case where the Clearing Participant is not guaranteed by its Parent Company, etc.:
 - a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio becomes (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio become) less than 250% and JSCC determines that its creditworthiness is likely to worsen significantly;
 - b. In respect of a Registered Financial Institution subject to Uniform International Standards, when the Clearing Participant falls under any of the conditions specified in (a) to (c) below, and where JSCC determines that its creditworthiness is likely to worsen significantly (in the case of a foreign bank, when it shall fall under the circumstances similar to the foregoing):
 - (a) its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 5.625%;
 - (b) its non-consolidated or consolidated Tier 1 ratio becomes less than 7.5%;
or
 - (c) its non-consolidated or consolidated Total Capital ratio becomes less than 10%;
 - c. In the case of a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 5% and where JSCC determines that its creditworthiness is likely to worsen significantly;

- d. In the case where the Clearing Participant is a Registered Financial Institution which is an insurance company, when its non-consolidated or consolidated solvency margin ratio becomes less than 500% and where JSCC determines that its creditworthiness is likely to worsen significantly; and
 - e. Where JSCC determines that its creditworthiness has worsened significantly.
- (2) In the case where the Clearing Participant is guaranteed by its Parent Company, etc.:
- a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio becomes (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio become) less than 250% and its Parent Company, etc. falls under the Deteriorated Credit Standing and JSCC deems that the creditworthiness of the Parent Company, etc. is likely to worsen significantly;
 - b. In the case where the Clearing Participant is a Registered Financial Institution subject to Uniform International Standards, when the Clearing Participant falls under any of the conditions specified in (a) to (c) below and its Parent Company, etc. falls under the Deteriorated Credit Standing and JSCC deems that the creditworthiness of the Parent Company, etc. is likely to worsen significantly (in the case of a foreign bank, when it shall fall under the circumstances similar to the foregoing):
 - (a) its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 5.625%;
 - (b) its non-consolidated or consolidated Tier 1 ratio becomes less than 7.5%;
or
 - (c) its non-consolidated or consolidated Total Capital ratio becomes less than 10%;
 - c. In the case where the Clearing Participant is a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 5% and its Parent Company, etc. falls under the Deteriorated Credit Standing and JSCC deems that the creditworthiness of the Parent Company, etc. is likely to worsen significantly;
 - d. In the case where the Clearing Participant is a Registered Financial Institution which is insurance company, when its non-consolidated or consolidated solvency margin ratio becomes less than 500% and its Parent Company, etc. falls under the Deteriorated Credit Standing and JSCC deems that the creditworthiness of the Parent Company, etc. is likely to worsen significantly; and
 - e. Where JSCC determines that the creditworthiness of its Parent Company, etc. has worsened significantly.
- 4 The “Deteriorated Credit Standing” of a Parent Company, etc. as prescribed in Item 2 of the preceding Paragraph shall be, in accordance with the classification of the Parent Company, etc. of the Clearing Participant set forth in each of the following Items, the event prescribed in each such Item:

- (1) In the case of a Parent Company, etc. that is Financial Instrument Business Operator:
When its Capital-to-Risk Ratio becomes (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio become) less than 250%
 - (2) In the case of a Parent Company, etc. that is a Registered Financial Institution subject to Uniform International Standards:
When the Parent Company, etc. falls under any of the conditions specified in a. to c. below (in the case of a foreign bank, when it shall fall under the circumstances similar to the foregoing):
 - a. its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 5.625%;
 - b. its non-consolidated or consolidated Tier 1 ratio becomes less than 7.5%; or
 - c. its non-consolidated or consolidated Total Capital ratio becomes less than 10%;
 - (3) In the case of a Parent Company, etc. that is Financial Institution subject to Japanese Standard:
When its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 5%
 - (4) In the case of a Parent Company, etc. that is Registered Financial Institution which is insurance company:
When its non-consolidated or consolidated solvency margin ratio becomes less than 500%
 - (5) In the case of a Parent Company, etc. that does not fall under any of the foregoing:
When it falls under the circumstances similar to any of the preceding Items
- 5 When JSCC determines that, in accordance with the classification listed in the following Items, a Clearing Participant falls under any of the following Items, JSCC may, after having a hearing for such Clearing Participant, take the measure of suspension of all or part of new Assumption of Obligation for Subject Transaction for Clearing of which such Clearing Participant is a party, until such event ceases to exist:
- (1) In the case where the Clearing Participant is not guaranteed by its Parent Company, etc.:
 - a. When its Net Capital Amount becomes less than 100 billion yen and prompt recovery from such condition cannot be expected;
 - b. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio becomes less than 200% and prompt recovery from such condition cannot be expected;
 - c. In the case where the Clearing Participant is a Special Financial Instruments Business Operator, when its Consolidated Capital-to-Risk Ratio becomes less than 200% and prompt recovery from such condition cannot be expected;
 - d. In the case where the Clearing Participant is a Registered Financial Institution subject to Uniform International Standards, when it falls under any of the conditions specified in (a) to (c) below (in the case of a foreign

bank, when it shall fall under the circumstances similar to the foregoing):

- (a) its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 4.5% and prompt recovery from such condition cannot be expected;
- (b) its non-consolidated or consolidated Tier 1 ratio becomes less than 6% and prompt recovery from such condition cannot be expected; or
- (c) its non-consolidated or consolidated Total Capital ratio becomes less than 8% and prompt recovery from such condition cannot be expected;
- e. In the case where the Clearing Participant is a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 4% and prompt recovery from such condition cannot be expected; and
- f. In the case where the Clearing Participant is an insurance company, when its non-consolidated or consolidated solvency margin ratio becomes less than 400% and prompt recovery from such condition cannot be expected.

(2) In the case where the Clearing Participant is guaranteed by its Parent Company, etc.:

- a. When the Clearing Participant's Net Capital Amount becomes less than 50 billion yen and prompt recovery from such condition cannot be expected;
- b. When the Net Capital Amount of the Clearing Participant's Parent Company, etc. (or, in the case where such Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution, the amount equivalent thereto) becomes less than 100 billion yen (or, in the case where the Parent Company, etc. provides Guarantee by Parent Company, etc. to more than one Clearing Participant, the amount obtained by multiplying 100 billion yen by the number of the Clearing Participants guaranteed by the Parent Company, etc. (or, in the case the Parent Company, etc. itself is a Clearing Participant, add one (1) to the number of the guaranteed Clearing Participants)) and prompt recovery from such condition cannot be expected;
- c. In the case where the Clearing Participant is a Financial Instruments Business Operator, when it falls under b. or c. of the preceding Item and simultaneously its Parent Company, etc. falls under Deteriorated Credit Standing, and prompt recovery from such condition cannot be expected; and
- d. In the case where the Clearing Participant is a Registered Financial Institution, when it falls under any of the conditions set forth in d. to f. of the preceding Item and simultaneously its Parent Company, etc. falls under the Deteriorated Credit Standing and prompt recovery from such condition cannot be expected.

6 The "Deteriorated Credit Standing" of a Parent Company, etc. as prescribed in c. and d. in Item 2 of the preceding Paragraph shall be, in accordance with the classification of the Parent Company, etc. of the Clearing Participant set forth in each of the following Items, the event prescribed in each such Item:

- (1) In the case of a Parent Company, etc. that is a Financial Instrument Business Operator:

- When its Capital-to-Risk Ratio becomes (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio become) less than 200%
- (2) In the case of a Parent Company, etc. that is a Registered Financial Institution subject to Uniform International Standards, when it falls under any of the conditions specified in a. to c. below (in the case of a foreign bank, when it shall fall under the circumstances similar to the foregoing):
- a. its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 4.5%;
 - b. its non-consolidated or consolidated Tier 1 ratio becomes less than 6%; or
 - c. its non-consolidated or consolidated Total Capital ratio becomes less than 8%;
- (3) In the case of a Parent Company, etc. that is a Financial Institution subject to Japanese Standard:
When its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 4%
- (4) In the case of a Parent Company, etc. that is a Registered Financial Institution which is insurance company:
When its non-consolidated or consolidated solvency margin ratio becomes less than 400%
- (5) In the case of a Parent Company, etc. which does not fall under any of the foregoing:
When it falls under the circumstances similar to any of the preceding Items
- 7 In the event that a Clearing Participant has notified JSCC of the matters set forth in Item 1 of Article 19 or has made a public announcement of any of the matters set forth in Item 2 through Item 5 of the said Article (in the case of Item 4 of the said Article, limited to the succession of the entire business, and in the case of Item 5, limited to the transfer of the entire business), but does not make application for the renunciation of its CDS Clearing Qualification, JSCC may, after having a hearing for such Clearing Participant, take the measure of suspension of all or a part of new Assumption of Obligation for Subject Transaction for Clearing to which such Clearing Participant is a party.
- (Article 29 Measures to be taken against Clearing Participants with Excessive Positions)
- 1 A Clearing Participant shall endeavour to appropriately maintain its positions of Clearing Contracts to which the Clearing Participant is a party in light of the situation of its CDS Transactions, its own and its Clearing Customers' creditworthiness and the other circumstances so as not to cause loss to JSCC or other Clearing Participants.
- 2 In the event that a Clearing Participant holds excessive positions (meaning the circumstances, as prescribed by JSCC, in which the amount of position is deemed to be excessive compared to the Net Capital Amount of the Clearing Participant (in the case where such Clearing Participant is guaranteed by its Parent Company, etc., of such Clearing Participant and the Parent Company, etc.) or the Clearing Participant holds excessively concentrated positions compared to the market circumstances; the same shall apply in the following Article), JSCC may take the measure of raising the Required Initial Margin Amount as prescribed by JSCC.

- 3 If JSCC deems that a Clearing Participant holds, or specifically is likely to hold, excessive position on the day a CDS Transaction is executed pursuant to Paragraph 1 of Article 49 and JSCC deems it necessary to do so for the appropriate and sound execution of the CDS Clearing Business, it may refuse Assumption of Obligation based on the application for Assumption of Obligation by the Clearing Participant notwithstanding the provisions of the said Article.

(Article 30 Instructions for Improvement on Position Holding)

- 1 In the event that JSCC deems it necessary to do so to promptly eliminate the risk in respect of the certainty of a Clearing Participant's performance of its obligations owed to JSCC, JSCC may, to the extent of such necessity, after having a hearing for such Clearing Participant, take the measure of suspension of all or part of new Assumption of Obligation for Subject Transaction for Clearing to which such Clearing Participant is a party or, based on the resolution of the board of directors' meeting of JSCC, the measure of issuance of an Instruction for Improvement on position holding.
- 2 The Clearing Participant to which the Instructions for Improvement on position holding in the preceding Paragraph are issued shall take necessary measures in order to rectify the matters for which such instructions were issued, on or before the date designated by JSCC on each applicable occasion.
- 3 In addition to the matters prescribed in these Business Rules, the matters necessary in connection with the Instructions for Improvement on position holding shall be prescribed by JSCC on each applicable occasion.

(Article 31 Measures in respect of Substitute Securities)

In the case where JSCC deems it necessary in terms of credit standing of a Clearing Participant in order to ensure such Clearing Participant's performance of obligation in respect of the Clearing Contracts to which such Clearing Participant is a party or Clearing Brokerage Contracts, to the extent of such necessity, it may reduce the rate by which the market value of the Substitute Securities shall be multiplied when calculating the substitute price.

(Article 32 Measure of Raising Initial Margin for Clearing Participant based on Credit Standing)

When JSCC deems that a Clearing Participant falls under any of the following events according to the classification of the cases set forth in each of the following Items, JSCC may take measure of raising the Initial Margin in respect of the Clearing Participant as prescribed by JSCC:

- (1) In the case where the Clearing Participant is not guaranteed by its Parent Company, etc.:
 - a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when both its Capital-to-Risk Ratio (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio; the same shall apply in this Article) and its credit standing fall below the level prescribed by JSCC;
 - b. In the case where the Clearing Participant is a Registered Financial

- Institution other than insurance company, when both its non-consolidated or consolidated capital adequacy ratio and its credit standing fall below the level prescribed by JSCC;
- c. In the case where the Clearing Participant is a Registered Financial Institution which is insurance company, when both its non-consolidated or consolidated solvency margin ratio and its credit standing fall below the level prescribed by JSCC; and
 - d. In the case where the Clearing Participant falls under the event specified by JSCC by notification or public notice as the cases where the creditworthiness of such Clearing Participant is not sufficient.
- (2) In the case where the Clearing Participant is guaranteed by its Parent Company, etc.:
- a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio falls below the level set by JSCC, and its Parent Company, etc. falls under the event prescribed by JSCC, and the credit standing of its Parent Company, etc. falls below the level prescribed by JSCC;
 - b. In the case where the Clearing Participant is a Registered Financial Institution other than insurance company, when its non-consolidated or consolidated capital adequacy ratio fall below the level set by JSCC, and its Parent Company, etc. falls under the event prescribed by JSCC, and the credit standing of its Parent Company, etc. falls below the level prescribed by JSCC;
 - c. In the case where the Clearing Participant is a Registered Financial Institution which is insurance company, when its non-consolidated or consolidated solvency margin ratio falls below the level set by JSCC, and its Parent Company, etc. falls under the event prescribed by JSCC, and the credit standing of its Parent Company, etc. falls below the level prescribed by JSCC; and
 - d. In the case where the Parent Company, etc. falls under the event specified by JSCC by notification or public notice as the cases where the creditworthiness of such Parent Company, etc. is not sufficient.

(Article 33 Measures to be taken in case of Determination of Occurrence of Default, etc. of Clearing Participant)

In the case where JSCC determines that a Clearing Participant falls under any of the following events, it may take a measure of revocation of the CDS Clearing Qualification of such Clearing Participant:

- (1) In the case where JSCC determines the Default, etc. of such Clearing Participant to have occurred; or
- (2) In the case where the Clearing Participant ceases to be either Financial Instruments Business Operator or Registered Financial Institution.

(Article 34 Lifting of the Measures of Suspension, etc. of Assumption of Obligation)

1 In the event that JSCC has suspended new Assumption of Obligation pursuant to Article 28

without specifying the period, when the reason of such suspension has been eliminated, the Clearing Participant subject to such suspension may file a petition for the lifting of such suspension with JSCC with documents for explanation in the form prescribed by JSCC.

- 2 When JSCC deems it appropriate to lift the suspension based on the petition in the preceding Paragraph from the viewpoint of securing an appropriate execution of CDS Clearing Business by JSCC, JSCC shall approve such petition.
- 3 In the event that the Clearing Participant subject to the suspension in Paragraph 1 fails to obtain the approval in the preceding Paragraph within six (6) months from the day on which is was subjected to such suspension, JSCC may revoke the CDS Clearing Qualification of such Clearing Participant based on the resolution of the Board of directors of JSCC.
- 4 The provisions of Paragraphs 1 and 2 above shall apply *mutatis mutandis* to the case where any of the measures set forth in Articles 29, 30 and 32 is taken.

(Article 35 Petition of Objection, etc.)

The proviso to Paragraph 1 of Article 15, and the provisions of Paragraph 2 and Paragraph 3 of the said Article shall apply *mutatis mutandis* to the hearing set forth in Articles 28 and 30, and the provisions of Paragraph 4 through Paragraph 6 of Article 15 shall apply *mutatis mutandis* to the measures set forth in Article 28 through Article 32.

(Article 36 Disciplinary Measures Assessment Committee)

- 1 When JSCC intends to take any of the measures set forth in Article 28 and Article 30 in respect of a Clearing Participant, JSCC shall consult with the Disciplinary Measures Assessment Committee in advance about the appropriateness of taking the such measure and respect the opinion of the Committee.
- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC intends to take the measure set forth in Article 28 or Article 30 when there is an urgent need for such, JSCC may take such measure without consulting with the Disciplinary Measures Assessment Committee.
- 3 In addition to the provisions prescribed in the preceding two Paragraphs, the matters in respect of the Disciplinary Measures Assessment Committee shall be prescribed by JSCC in its Rules.

(Article 37 Notice of Measures, etc.)

- 1 When JSCC is to suspend all or part of new Assumption of Obligation or to revoke CDS Clearing Qualification pursuant to these Business Rules, JSCC shall notify the Clearing Participant subject to such measure to that effect in advance.
- 2 When JSCC has suspended all or part of new Assumption of Obligation, or revoked CDS Clearing Qualification in respect of a Clearing Participant on Customer Account, such Clearing Participant on Customer Account shall immediately notify the Clearing Customers with which it has entered into the Clearing Brokerage Agreements to that effect.

- 3 When JSCC has taken any of the measures of Instructions for Improvement, suspension of all or part of new Assumption of Obligation, revocation of CDS Clearing Qualification or Instructions for Improvement on position holdings pursuant to these Business Rules, JSCC shall notify other Clearing Participants and make public announcement to that effect promptly after the day on which such measure is taken; provided, however, that if JSCC deems it necessary and appropriate to do so in light of the possible degree of influence on the market and other matters that such notification and public announcement will produce, JSCC may make such notification and announcement on the day when JSCC deems it appropriate.
- 4 In the event that JSCC makes the notification and public announcement prescribed in the preceding Paragraph, JSCC shall decide the scope of the contents of such notification and public announcement on each applicable occasion in light of the importance of the measures subject to such notification and public announcement or the possible degree of influence on the market and other matters that such notification and public announcement will produce.

(Article 38 Handling of Clearing Contracts in Case of Revocation of CDS Clearing Qualification)

- 1 In the event that CDS Clearing Qualification of a Clearing Participant has been revoked (other than revocation due to the event described in Item (1) of Paragraph 1 of Article 33), such Clearing Participant shall terminate all of its outstanding Clearing Contracts (excluding those specified by JSCC) within the period determined by JSCC on each applicable occasion.
- 2 In the case set forth in the preceding Paragraph, when the Clearing Participant fails to terminate all of the outstanding Clearing Contracts within the period determined by JSCC, such Clearing Contracts shall be handled pursuant to the provisions in Section 2 of Chapter 10 (excluding the provisions of Article 97 through Article 99). In such case, the necessary matters shall be determined by JSCC on each applicable occasion.
- 3 The matters necessary for the termination of the Clearing Contracts set forth in Paragraph 1 shall be prescribed by JSCC.

(Article 39 Recommendation to Clearing Participant)

- 1 In the case where JSCC determines that the operating or financial condition of a Clearing Participant is not appropriate in terms of appropriate and sound execution of CDS Clearing Business taking into account the degree of possible influence of such condition on the JSCC's operation of the CDS Clearing Business and other circumstances, JSCC may recommend such Clearing Participant to take appropriate measures.
- 2 In the case where JSCC has made the recommendation set forth in the preceding Paragraph, JSCC may request the Clearing Participant to submit a report in respect of its handling of such recommendation.

Section 5 Miscellaneous

(Article 39-2 Treatment of Cleared Contracts in which the Participant is the Reference Entity)

- 1 In respect of a Cleared Contract (limited to Single Name CDS Transactions; the same shall apply in this Article) in which a Clearing Participant (including entities belonging to the same corporate group as the Clearing Participant; the same shall apply in this Article) is the Reference Entity, the Clearing Participant may not hold positions that could become net short (referring to the case where the total Notional Amount of the Cleared Contract for each Reference Entity to which the Clearing Participant is the Seller exceeds the total Notional Amount of the Cleared Contracts for the same Reference Entity to which the Clearing Participant is the Buyer; the same shall apply in this Article).
- 2 In the event that the Clearing Participant becomes the Reference Entity of a Cleared Contract due to a merger or any other reason, if the positions in the Cleared Contract become net short, the Clearing Participant must close out the net short positions of the cleared contract within a period of time prescribed by JSCC on each applicable occasion.
- 3 In the case set forth in the preceding Paragraph, if the Clearing Participant cannot close out the net short positions of the cleared contract within the period of time prescribed therein, the net short positions shall be closed out pursuant to the provisions in Articles 96 and 100. In such case, any necessary matters shall be determined by JSCC on each applicable occasion.

(Article 40 Take-over by Clearing Participant of Unsettled Contracts from Another Clearing Participant resulting from Demerger or Business Transfer)

- 1 A Clearing Participant causing its business to be succeeded by another Clearing Participant through a demerger, or transferring its business to another Clearing Participant (referred to as “Demerged Participant” in this Article) may, when its CDS Clearing Qualification is not renounced simultaneously with the succession or transfer of such business, with JSCC’s approval, have such other Clearing Participant (referred to as “Taking-over Participant” in this Article) take over the unsettled Clearing Contracts involved in the succession or transfer of such business (referred to as “Taken-over Contracts” in this Article).
- 2 In the event of business transfer set forth in Paragraph 1, when the Taken-over Contracts were Clearing Contracts (Customer Account), the Demerged Participant shall obtain the consent of the Clearing Customer, for whom it is acting as Clearing Participant on Customer Account in respect of the Taken-over Contracts, to such take-over.
- 3 Costs required for taking over the Taken-over Contracts under this Article shall be borne by the Demerged Participant or Taking-over Participant.

(Article 40-2 Take-over by Clearing Customer of Unsettled Contracts from Clearing Participant resulting from Merger, Demerger or Business Transfer)

- 1 A Clearing Participant merged into a Clearing Customer, causing its business to be succeeded by a Clearing Customer through a demerger, or transferring its business to a Clearing Customer (referred to as “Merged Participant” in this Article) may, with JSCC’s approval, have such Clearing Customer (referred to as “Taking-over Customer” in this Article) take over the unsettled Clearing Contracts (Own Account) involved in the merger, succession or transfer of such business (referred to as “Taken-over Contracts” in this Article). In this case, the Taken-over Contracts shall be deemed to be the Clearing Brokerage Contracts between the Taking-over Customer and its Clearing Participant on Customer Account and the Clearing Contracts (Customer Account) corresponding to the Clearing Brokerage Contracts between

such Clearing Participant on Customer Account and JSCC for the purpose of the application of the Business Rules, etc.

- 2 In the case of Paragraph 1, the Taking-over Customer shall obtain the consent of the Clearing Participant on Customer Account mentioned in Paragraph 1 on the take-over of the Taken-over Contracts in advance.
- 3 When JSCC considers that acquisition by the Taking-over Customer of the consent set forth in Paragraph 2 cannot be expected, notwithstanding the provisions of Paragraph 1, JSCC may have the Merged Participant and the Taking-over Customer terminate the Taken-over Contracts or make other arrangements deemed necessary.
- 4 Costs required for taking over the Taken-over Contracts under this Article shall be borne by the Merged Participant or the Taking-over Customer.

(Article 40-3 Take-over by Clearing Participant of Clearing Brokerage Contracts from Clearing Customer resulting from Merger, Demerger or Business Transfer)

- 1 A Clearing Customer merged into a Clearing Participant, causing its business to be succeeded by a Clearing Participant through a demerger, or transferring its business to a Clearing Participant (referred to as “Merged Customer” in this Article) may, with JSCC’s approval, have such Clearing Participant (referred to as “Taking-over Participant” in this Article) take over the unsettled Clearing Brokerage Contracts involved in the merger, succession or transfer of such business (referred to as “Taken-over Contracts” in this Article). In this case, the Taken-over Contracts shall be deemed to be the Clearing Contracts (Own Account) between such Taking-over Participant and JSCC for the purpose of the application of the Business Rules, etc.
- 2 When the taking over set forth in Paragraph 1 occurs, the Clearing Contracts (Customer Account) corresponding to the Taken-over Contracts between the Clearing Participant on Customer Account for the Merged Customer and JSCC shall terminate as a matter of course.
- 3 In the case of Paragraph 1, the Merged Customer shall obtain the consent of the Clearing Participant on Customer Account mentioned in Paragraph 2 on the take-over of the Taken-over Contracts in advance.
- 4 When JSCC considers that acquisition by the Merged Customer of the consent set forth in Paragraph 3 cannot be expected, notwithstanding the provisions of Paragraphs 1 and 2, JSCC may have the Merged Customer and the Taking-over Participant terminate the Taken-over Contracts or make other arrangements deemed necessary.
- 5 Costs required for taking over the Taken-over Contracts under this Article shall be borne by the Merged Customer or the Taking-over Participant.

(Article 40-4 Take-over by Clearing Customer of Clearing Brokerage Contracts from Another Clearing Customer resulting from Merger, Demerger or Business Transfer)

- 1 A Clearing Customer merged into another Clearing Customer, causing its business to be

succeeded by another Clearing Customer through a demerger, or transferring its business to another Clearing Customer (referred to as “Merged Customer” in this Article) may, with JSCC’s approval, have such other Clearing Customer (referred to as “Taking-over Customer” in this Article) take over the unsettled Clearing Brokerage Contracts involved in the merger, succession or transfer of such business (referred to as “Taken-over Contracts” in this Article). In this case, the Taken-over Contracts shall be deemed to be the Clearing Brokerage Contracts between the Taking-over Customer and its Clearing Participant on Customer Account and the Clearing Contracts (Customer Account) corresponding to the Clearing Brokerage Contracts between such Clearing Participant on Customer Account and JSCC for the purpose of the application of the Business Rules, etc.

- 2 When the taking over set forth in Paragraph 1 occurs, the Clearing Contract (Customer Account) corresponding to the Taken-over Contracts between the Clearing Participant on Customer Account for the Merged Customer and JSCC shall terminate as a matter of course.
- 3 In the case of Paragraph 1, the Merged Customer and the Taking-over Customer shall obtain the consent of their respective Clearing Participant on Customer Account on the take-over of the Taken-over Contracts in advance.
- 4 When JSCC considers that acquisition by the Merged Customer or the Taking-over Customer of the consent set forth in Paragraph 3 cannot be expected, notwithstanding the provisions of Paragraphs 1 and 2, JSCC may have the Merged Customer and the Taking-over Customer terminate the Taken-over Contracts or make other arrangements deemed necessary.
- 5 Costs required for taking over the Taken-over Contracts under this Article shall be borne by the Merged Customer or the Taking-over Customer.

(Article 40-5 Handling of Foreign Entity Having Branch Registered as Registered Financial Institution)

In respect of a foreign entity having a branch which has obtained the registration pursuant to Article 33-2 of the Financial Instruments and Exchange Act, such foreign entity shall be deemed as a Registered Financial Institution to which the provisions of this Chapter shall be applied.

Chapter 3 Brokerage for Clearing of Securities, etc.

(Article 41 Subject Transaction for Brokerage for Clearing of Securities, etc.)

The Subject Transactions for the Brokerage for Clearing of Securities, etc. that may be executed by a Clearing Participant shall be Eligible CDS Transactions.

(Article 42 Conclusion of Clearing Brokerage Agreement)

- 1 A Clearing Participant, when it carries out the Brokerage for Clearing of Securities, etc., shall enter into a Clearing Brokerage Agreement in advance with the relevant Clearing Customer.
- 2 In the case where a Clearing Customer entrusts the Brokerage for Clearing of Securities, etc. to a Clearing Participant, such Clearing Customer shall enter into a Clearing Brokerage

Agreement with such Clearing Participant and submit a letter of undertaking in the form prescribed by JSCC to the effect that it shall comply with such Clearing Brokerage Agreement and these Business Rules, etc. to JSCC through the Clearing Participant.

- 3 In the case of the preceding Paragraph, the Clearing Participant on Customer Account who received a letter of undertaking from a Clearing Customer shall immediately submit such letter of undertaking to JSCC.

(Article 43 Notification of Execution of Clearing Brokerage Agreement)

- 1 When a Clearing Participant intends to enter into a Clearing Brokerage Agreement, such Clearing Participant shall notify JSCC of the details thereof in advance as prescribed by JSCC.
- 2 In the case where JSCC receives such notification from a Clearing Participant as prescribed in the preceding Paragraph (except when JSCC has already received a notification from another Clearing Participant as prescribed in the preceding Paragraph in respect of the Clearing Customer involved in the conclusion of the Clearing Brokerage Agreement related to the notification), JSCC shall notify other Clearing Participants of the Clearing Customer's trade name and other matters related to such Clearing Customer according to the notification given by the Clearing Participant and publish such information.

(Article 44 Notification of Termination of Clearing Brokerage Agreement)

- 1 In the case where a Clearing Brokerage Agreement is terminated, the relevant Clearing Participant on Customer Account shall notify JSCC of its details as prescribed in the following Items and by JSCC, according to the classification of termination listed in each Item below:
 - (1) Termination by agreement:
A Clearing Participant on Customer Account shall submit a notice by three (3) JSCC Business Days before the day on which it intends to terminate the Clearing Brokerage Agreement.
 - (2) Termination by a prior written notice of intention to terminate the Clearing Brokerage Agreement given by a Clearing Participant on Customer Account to a Clearing Customer (excluding the termination set forth in Item 4) :
The Clearing Participant on Customer Account shall submit a notification without delay after it gives the notice of intention to terminate.
 - (3) Termination by a prior written notice of intention to terminate the Clearing Brokerage Agreement received by a Clearing Participant on Customer Account from a Clearing Customer:
The Clearing Participant on Customer Account shall submit a notification without delay after it received the notice of intention to terminate.
 - (4) Other termination in accordance with the provisions of Clearing Brokerage Agreement:
The Clearing Participant on Customer Account shall submit a notification in advance or without delay after the termination of such Clearing Brokerage Agreement.

- 2 The Clearing Brokerage Contract executed before the termination of Clearing Brokerage Agreement pursuant to the preceding Paragraph shall remain to be governed by such Clearing Brokerage Agreement.
- 3 Termination of Clearing Brokerage Agreement shall not become effective until JSCC receives notification pursuant to the provisions of Paragraph 1.
- 4 In the case where JSCC receives a notification from a Clearing Participant pursuant to Paragraph 1 (limited to the case where the relevant Clearing Customer has no Clearing Brokerage Agreements signed with any of the Clearing Participants as a result of the termination of the Clearing Brokerage Agreement related to the notification), and when JSCC deems it appropriate, JSCC shall immediately notify other Clearing Participants of the Clearing Customer's trade name and other matters and publish such information.

(Article 45 Validity of Letter of Undertaking)

- 1 A letter of undertaking submitted to JSCC by a Clearing Customer shall become invalid when a Clearing Brokerage Agreement entered into between the Clearing Customer and a Clearing Participant on Customer Account is terminated.
- 2 If there remain claims and obligations between a Clearing Customer or a Clearing Participant on Customer Account and JSCC in connection with the Clearing Contracts (Customer Account) and the Clearing Brokerage Contracts that have been executed before the expiration of the letter of undertaking set forth in the preceding Paragraph and the relevant Initial Margins, such letter of undertaking shall remain effective to the extent of such claims and obligations.

(Article 46 Segregation of Clearing Contracts)

- 1 A Clearing Participant on Customer Account shall manage the Clearing Contracts to which it is a party by segregating Clearing Contracts (Own Account) from Clearing Contracts (Customer Account).
- 2 A Clearing Participant on Customer Account shall manage the Clearing Contracts (Customer Account) separately for each Clearing Brokerage Account.

(Article 47 - Deleted)

Chapter 4 Assumption of Obligation and Clearing Contracts

Section 1 Assumption of Obligation

(Article 48 Application for Assumption of Obligation, etc.)

- 1 A Clearing Participant may apply for Assumption of Obligation to JSCC by submitting a notification in the method prescribed by JSCC.
- 2 The application for Assumption of Obligation pursuant to the provisions of the preceding Paragraph shall be made by both parties to an Eligible CDS Transaction subject to

Assumption of Obligation as prescribed by JSCC.

- 3 The notification of application for Assumption of Obligation set forth in Paragraph 1 shall be regarded as an indication of intention to the Clearing Participant who is the counterparty to the Eligible CDS Transaction to the effect that such Eligible CDS Transaction shall be terminated by agreement in accordance with the provisions of Article 50 under the condition that a Clearing Contract is executed in respect of the Eligible CDS Transaction subject to such application in accordance with the provisions of Paragraph 1 of the following Article.
- 4 The notification of application for Assumption of Obligation set forth in the Paragraph 1 in the case where a Clearing Participant is a counterparty to the Underlying Transaction of Clearing Brokerage shall be regarded as an indication of intention to the Clearing Customer who is the party to such Underlying Transaction of Clearing Brokerage to the effect that such Underlying Transaction of Clearing Brokerage shall be terminated by agreement under the condition that the conditions set forth in each Item of Paragraph 4 of Article 54 are satisfied.
- 5 A Clearing Participant may withdraw the indication of intention in respect of the application for Assumption of Obligation set forth in Paragraph 1 and the indication of intention of the termination by agreement set forth in the preceding two Paragraphs, only if it withdraws all of these indications of intention.

(Article 49 Execution of Clearing Contracts under Assumption of Obligation)

- 1 When JSCC receives a notification of application set forth in Paragraph 1 of the preceding Article from both parties to an Eligible CDS Transaction and confirms that the details of the application and such Eligible CDS Transaction satisfy the requirements prescribed by JSCC, a CDS Transaction shall be executed between the Clearing Participant who was a buyer under such Eligible CDS Transaction and JSCC as the seller, and another CDS Transaction shall be executed between the Clearing Participant who was a seller under such Eligible CDS Transaction and JSCC as the buyer at the time prescribed by JSCC.
- 2 When Clearing Contracts are executed pursuant to the provisions of the preceding Paragraph, JSCC shall promptly notify the Clearing Participants as the counterparties to such Clearing Contracts to that effect.
- 3 Once the Clearing Contracts are executed pursuant to the provisions of Paragraph 1, the Clearing Participant may not assert against JSCC the validity of the Eligible CDS Transaction prescribed in the said Paragraph or the Underlying Transaction of Clearing Brokerage, or claims and obligations thereunder, even if there is any ground on which it could have asserted the same against another Clearing Participant or a Clearing Customer who is the counterparty thereto (including but not limited to the presence or absence of such Eligible CDS Transaction, defects or absence of indication of intention).

(Article 50 Termination by Agreement of Eligible CDS Transactions)

- 1 An Eligible CDS Transaction subject to Assumption of Obligation and the claims and obligations (excluding those listed below) under such Eligible CDS Transaction shall be extinguished toward the future simultaneously with the execution of Clearing Contracts upon

termination by agreement between the Clearing Participants as the parties to such Eligible CDS Transaction in accordance with the provisions of Paragraph 3 of Article 48 and these Business Rules:

- (1) Payment obligations for the Initial Payment Amount;
 - (2) Payment obligations for the Fixed Amount which has already become due at the time of the execution of such Clearing Contracts; and
 - (3) In addition to those set forth in the preceding two Items, obligations that have already accrued at the time of execution of such Clearing Contracts.
- 2 A Clearing Participant shall not be liable to pay any fees, damages or any other money in connection with the termination by agreement set forth in the preceding Paragraph except for those set forth in each Item of the said Paragraph.
- 3 In the case where any agreement between Clearing Participants as the parties to an Eligible CDS Transaction set forth in Paragraph 1 conflicts with or violates the provisions of this Article, the provisions of this Article shall prevail.

Section 2 Clearing Contracts

(Article 51 Details of Clearing Contracts)

- 1 Clearing Contracts shall be governed by these Business Rules, etc., the ISDA Master Agreement and the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for the Pre-Definition Update Clearing Contracts); and the 2002 ISDA Master Agreement (including its Schedule) and other master agreement which stipulates basic matters in connection with over-the-counter derivative transactions (limited to those prescribed by JSCC) entered into between Clearing Participants and any other agreement between Clearing Participants which is not prescribed in the these Business Rules, etc. (including but not limited to the Confirmation entered into between the Clearing Participants as the parties to the relevant Eligible CDS Transaction) shall not be applied to the Clearing Contracts.
- 2 Details of the Clearing Contracts shall be prescribed in Paragraph 1 of Article 49 and the preceding Paragraph and as prescribed by JSCC.
- 3 In applying the ISDA Master Agreement and the ISDA Credit Derivatives Definitions or the ISDA Credit Derivatives Definitions (2003 Version) to Clearing Contracts pursuant to the provisions of Paragraph 1 and Paragraph 1 of Article 51-2 below, the necessary replacement of terms and other matters shall be prescribed by JSCC.
- 4 In the case where the provisions of the ISDA Master Agreement, the ISDA Credit Derivatives Definitions or the ISDA Credit Derivatives Definitions (2003 Version) conflict with or violate the provisions of these Business Rules, etc., the provisions of these Business Rules, etc. shall prevail.

(Article 51-2 Change to Terms of Pre-Definition Update Clearing Contracts)

- 1 Notwithstanding the provisions of Paragraph 1 of the preceding Article, JSCC may have the Pre-Definition Update Clearing Contracts existing as of the date specified by JSCC in a public notice (excluding those specified by JSCC) governed by the ISDA Credit Derivatives Definitions in lieu of the ISDA Credit Derivatives Definitions (2003 Version) on or after such date.
- 2 Sections prescribed by JSCC of the Pre-Definition Update Clearing Contracts which are to be governed by the ISDA Credit Derivatives Definitions pursuant to the provisions of the immediately preceding Paragraph will, notwithstanding the provisions of the preceding Paragraph, continue to be governed by the ISDA Credit Derivatives Definitions (2003 Version). In this case, the provisions applicable to 2003 Version Clearing Contracts under these Business Rules, etc. shall apply to such sections (excluding the provisions specified by JSCC).
- 3 Changes to the terms of the Pre-Definition Update Clearing Contracts which become subject to the ISDA Credit Derivatives Definitions pursuant to the provisions of Paragraph 1 and other necessary matters shall be, in addition to those set forth in the said Paragraph, be as prescribed by JSCC.

(Article 52 Early Termination Fee)

In the case where there is an Early Termination in respect of a Clearing Contract, the relevant Clearing Participant or JSCC shall be obligated to pay an Early Termination Fee as prescribed in these Business Rules, etc.

(Article 53 Compression of Clearing Contracts)

- 1 If a Clearing Participant desires the Compression of a Clearing Contract, it shall apply for Compression to JSCC by giving notice in the method separately prescribed by JSCC.
- 2 If JSCC receives the application for the Compression from a Clearing Participant in accordance with the immediately preceding paragraph, JSCC shall check, in a manner prescribed by JSCC, that the Clearing Contract and new Clearing Contract that will come into effect as a result of the Compression satisfy the requirements separately prescribed by JSCC (hereinafter referred to as "Compression Conditions"). If such Clearing Contract and new Clearing Contract that will come into effect as a result of the Compression satisfy the Compression Conditions, JSCC and the Clearing Participant shall have the relevant Clearing Contract terminated and the new Clearing Contract established according to the terms specified in the application for such Compression as of the time of such confirmation by JSCC.
- 3 In addition to the matters set forth in the preceding two paragraphs, matters necessary for the Compression of Clearing Contracts shall be separately prescribed by JSCC

(Article 53-2 Ad Hoc Compression of Clearing Contracts)

- 1 If a Clearing Participant desires the Ad Hoc Compression of a Clearing Contract, it shall apply for Ad Hoc Compression to JSCC by giving notice in the method separately prescribed by JSCC.
- 2 If JSCC receives the application for the Ad Hoc Compression from a Clearing Participant in accordance with the immediately preceding paragraph, JSCC shall check, in a manner prescribed by JSCC, that the Clearing Contract satisfies the requirements separately prescribed by JSCC (hereinafter referred to as “Ad Hoc Compression Conditions”). If such Clearing Contract satisfies the Ad Hoc Compression Conditions, JSCC and the Clearing Participant shall have the relevant Clearing Contract terminated as of the time of such confirmation by JSCC.
- 3 In addition to the matters set forth in the preceding two paragraphs, matters necessary for the Ad Hoc Compression of Clearing Contracts shall be separately prescribed by JSCC

(Article 53-3 Request for Succession of Clearing Contract (Own Account))

- 1 A Clearing Participant (hereinafter referred to as “Requesting Clearing Participant”) may, in accordance with the provisions set forth in this Article and Article 53-4, have all or a part of the Clearing Contracts (Own Account) existing with JSCC succeeded to by another Clearing Participant (hereinafter referred to as “Successor Clearing Participant”).
- 2 When the Requesting Clearing Participant has its Clearing Contracts (Own Account) succeeded to pursuant to the provisions of Paragraph 1, it shall ask the Successor Clearing Participant to accept such succession, and shall obtain its consent in advance.
- 3 When the Successor Clearing Participant’s consent is obtained as set forth in Paragraph 2, the Requesting Clearing Participant and the Successor Clearing Participant shall request the succession to JSCC in a manner prescribed by JSCC.

(Article 53-4 Completion of Succession of Clearing Contract (Own Account) of Clearing Participant)

- 1 Upon receipt of the request for a succession made in accordance with the provisions of Article 53-3, Paragraph 3, JSCC shall accept the request for such succession, if JSCC can confirm that the Clearing Contracts (Own Account) effectively exist between the Requesting Clearing Participant and JSCC and that the Requesting Clearing Participant and the Successor Clearing Participant have agreed to the succession, and judges that there is no specific issue in position holding status of the Requesting Clearing Participant and the Successor Clearing Participant after the succession.
- 2 The succession of Clearing Contracts (Own Account) shall come into effect at the time when JSCC accepts the request for the succession pursuant to the provisions of Paragraph 1.

- 3 When the succession of the Clearing Contracts (Own Account) comes into effect pursuant to the provisions of Paragraph 2, the Clearing Contracts (Own Account) between the Requesting Clearing Participant and JSCC subject to the succession shall terminate as a matter of course, and claims and obligations under such Clearing Contracts (Own Account) shall cease to have future effect. Simultaneously, a legal relationship that are identical, in terms and conditions separately designated by JSCC, to the said Clearing Contracts (Own Account) shall arise between the Successor Clearing Participant and JSCC.
- 4 JSCC shall calculate the amount to be paid upon succession and the Early Termination Fee as prescribed by JSCC, and, in association with the termination of the Clearing Contracts (Own Account) and coming into effect of the claims and obligations pursuant to the provisions of Paragraph 3, JSCC, the Requesting Clearing Participant and the Successor Clearing Participant shall pay and/or receive the amount to be paid upon succession, the Early Termination Fee and Variation Margin in a manner prescribed by JSCC.
- 5 The provisions of the Business Rules, etc. shall apply by regarding the claims and obligations arising pursuant to the provisions of Paragraph 3 as the Clearing Contracts (Own Account) between the Successor Clearing Participant and JSCC.

Section 3 Special Provisions relating to Brokerage for Clearing of Securities, etc.

(Article 54 Entrustment of Brokerage for Clearing of Securities, etc.)

- 1 In the case where a Clearing Customer intends to entrust Brokerage for Clearing of Securities, etc. to a Clearing Participant on Customer Account, it shall notify JSCC of the Clearing Participant on Customer Account who is to be the other party to the CDS Transaction to be executed based on the entrustment of Brokerage for Clearing of Securities, etc. (hereinafter referred to as the “Designated Counterparty”), and other matters prescribed by JSCC in accordance with the Rules prescribed by JSCC.
- 2 A Clearing Participant on Customer Account and the Clearing Customer hereby agree in advance that an offer of entrustment of Brokerage for Clearing of Securities, etc. for the CDS Transactions set forth in the preceding Paragraph shall be deemed to have been made by the Clearing Customer and accepted by the Clearing Participant on Customer Account at the time when the notification given under the preceding Paragraph reaches JSCC.
- 3 The provisions of the preceding Paragraph shall not apply to any of the cases in the following Items excluding the case where a Clearing Participant on Customer Account executes Clearing Contract (Customer Account) in accordance with the provisions of the following Article:
 - (1) In the case where the notification set forth in Paragraph 1 does not satisfy either of the following conditions:
 - a. JSCC has received a letter of undertaking set forth in Paragraph 2 of Article 42 from the Clearing Customer relating to such notification, and such letter of undertaking remains effective;
 - b. The Clearing Participant on Customer Account relating to such notification

- has not subject to the measures of suspension of all or part of new Assumption of Obligation (only where the Clearing Contracts (Customer Account) for the account of the Clearing Customer based on the entrustment by the Clearing Customer relating to such notification are included in the subject of such suspension);
- c. The Underlying Transaction of Clearing Brokerage which is the subject of such notification satisfies the requirements prescribed by JSCC; or
 - d. In addition to those set forth in a. through c. above, it complies with the conditions prescribed by JSCC.
- (2) In the case where otherwise agreed between a Clearing Participant on Customer Account and Clearing Customer in respect of the restrictions on the entrustment of Brokerage for Clearing of Securities, etc., and when the contents of the notification set forth in Paragraph 1 is inconsistent with such agreement.
- 4 The Notification set forth in Paragraph 1 shall be regarded as an indication of intention to the Clearing Participant or any other Clearing Customer who is the counterparty to such Underlying Transaction of Clearing Brokerage (hereinafter referred to as “Counterparty to Underlying Transaction of Clearing Brokerage” in this Paragraph and Article 58) to the effect that the Underlying Transaction of Clearing Brokerage in respect of the entrustment of Brokerage for Clearing of Securities, etc. deemed to be executed upon such notification are terminated by agreement subject to satisfaction of the following conditions:
- (1) Based on the entrustment of Brokerage for Clearing of Securities, etc. by the Clearing Customer to the Clearing Participant on Customer Account deemed to have been carried out pursuant to the provisions of Paragraph 2, an Eligible CDS Transaction with the same conditions prescribed by JSCC as those of the Underlying Transaction of Clearing Brokerage is executed between such Clearing Participant on Customer Account and the Counterparty to Underlying Transaction of Clearing Brokerage or another Clearing Participant designated by the Counterparty to Underlying Transaction of Clearing Brokerage;
 - (2) The Clearing Customer and the Counterparty to Underlying Transaction of Clearing Brokerage or another Clearing Participant designated by the Counterparty to Underlying Transaction of Clearing Brokerage apply for Assumption of Obligation for the Eligible CDS Transaction set forth in the preceding Item to JSCC in accordance with the provisions of Article 48; and
 - (3) The Assumption of Obligation set forth in the preceding Item becomes effective and the relevant Clearing Contracts are executed.
- 5 The Clearing Customer may withdraw the indication of intention of the entrustment of the Brokerage for Clearing of Securities, etc. set forth in Paragraph 1 and the indication of intention of termination by agreement set forth in the preceding Paragraph only when both indications of intention are withdrawn together.

(Article 55 Execution of Clearing Contracts based on Entrustment of Brokerage for Clearing of Securities, etc.)

- 1 When the notification specified in Paragraph 1 of the preceding Article reaches JSCC, a CDS Transaction with the same conditions prescribed by JSCC as those of the Underlying Transaction of Clearing Brokerage shall be executed between the Clearing Participant on Customer Account who accepts the entrustment and the Designated Party for the account of the Clearing Customer as prescribed by JSCC. In such case, if the Brokerage for Clearing of Securities, etc. is deemed to be applied for and accepted pursuant to the provisions of Paragraph 2 of the said Article, the Clearing Participants as the parties to such CDS Transaction shall make notification to JSCC in connection with the application for the Assumption of Obligation in respect of such CDS Transaction in accordance with the provisions of Article 48 and execute Clearing Contracts (Customer Account) with JSCC.
- 2 In the case where Clearing Contracts (Customer Account) are executed, the Clearing Participant on Customer Account shall notify to the Clearing Customer who entrusted Brokerage for Clearing of Securities, etc. in respect of the Clearing Contract (Customer Account) of that effect and the details thereof without delay.
- 3 In the case of the termination of the Clearing Brokerage Contract and the other cases prescribed by JSCC, the Clearing Contract (Customer Account) shall be treated as the Clearing Contract on the account of the Clearing Participant who is the party to the Clearing Contract (Customer Account) after the point of time specified by JSCC.
- 4 In the case where the Clearing Participant on Customer Account who accepts the entrustment by the Clearing Customer pursuant to the provisions of the preceding Article and the Designated Party are the same entity, the provisions of these Business Rules, etc. shall be applied by regarding the Clearing Participant on Customer Account as the Designated Party as another Clearing Participant.
- 5 Once a Clearing Contract (Customer Account) is executed based on the entrustment of Brokerage for Clearing of Securities, etc. by a Clearing Customer to a Clearing Participant on Customer Account, such Clearing Customer and such Clearing Participant on Customer Account may not assert against the other as the counterparty to the Clearing Brokerage Contract the validity of the Underlying Transaction of Clearing Brokerage or the CDS Transaction to be executed between the Clearing Participant on Customer Account and the Designated Party pursuant to the provisions of Paragraph 1, or claims and obligations thereunder, even if there is any ground on which each could have asserted the same against the Clearing Participant or the Clearing Customer who is the counterparty thereto (including but not limited to the presence or absence of such CDS Transaction, defects or absence of indication of intention).

(Article 56 Attribution of Profits and Losses Resulting from Clearing Contract (Customer Account), etc.)

- 1 All profits and losses resulting from Clearing Contracts (Customer Account) shall attribute to a Clearing Customer.
- 2 When a Clearing Participant on Customer Account receives the Fixed Amount or any other Money, etc. (excluding Margin) from JSCC in respect of any Clearing Contract (Customer

Account), such Clearing Participant on Customer Account shall deliver such Money, etc. to the relevant Clearing Customer.

- 3 When a Clearing Participant on Customer Account bears payment obligations of Money, etc. (excluding Margin, the Special Clearing Charge Collateral, clearing fees, and the Special Clearing Charge) to JSCC in respect of any Clearing Contract (Customer Account), the Clearing Customer shall pay such Money etc. to the relevant Clearing Participant on Customer Account.

(Article 57 Clearing Customer's Instruction in respect of Clearing Contracts (Customer Account))

- 1 A Clearing Customer may give instructions to the relevant Clearing Participant on Customer Account on the application for a Compression or Ad Hoc Compression of Clearing Contracts (Customer Account) or other related matters in accordance with these Business Rules, etc. and the Clearing Brokerage Agreement.
- 2 When a Clearing Customer intends to instruct the Clearing Participant on Customer Account to apply for Compression or Ad Hoc Compression, it shall notify such effect to JSCC in the method prescribed by JSCC.
- 3 The Clearing Participant on Customer Account and the Clearing Customer shall agree in advance that, when the notification set forth in the immediately preceding paragraph reaches JSCC, the Clearing Customer shall be deemed to have given instruction to the Clearing Participant on Customer Account to apply for Compression or Ad Hoc Compression, and the Clearing Participant on Customer Account shall be deemed to have made application, at that time.

(Article 58 Termination by Agreement of Underlying Transaction of Clearing Brokerage)

- 1 An Underlying Transaction of Clearing Brokerage set forth in Paragraph 4 of Article 54 and any claims and obligations thereunder excluding those listed below, shall, upon completion of termination thereof by agreement between a Clearing Customer who is a party to such Underlying Transaction of Clearing Brokerage and the Counterparty to Underlying Transaction of Clearing Brokerage in accordance with the provisions of the said Paragraph of the said Article and other provisions of these Business Rules, etc., be extinguished toward the future simultaneously with the execution of the Clearing Contracts set forth in Item 3 of the said Paragraph:
 - (1) Payment obligation for the Initial Payment Amount;
 - (2) Payment obligations for the Fixed Amount which has become due at the time of the execution of such Clearing Contracts; and
 - (3) Obligations that have already accrued at the time of the execution of such Clearing Contracts, in addition to those listed in the preceding two Items.
- 2 The Clearing Customer and the Counterparty to Underlying Transaction of Clearing Brokerage shall have no obligation to pay any fees, damages or other money in relation to the termination by agreement set forth in the preceding Paragraph excluding those listed in each

Item of the preceding Paragraph.

- 3 In the case where the agreement between the Clearing Customer and the Counterparty to Underlying Transaction of Clearing Brokerage conflicts with or violates this Article, this Article shall prevail.

Section 4 Transfer of Clearing Contract (Customer Account)

(Article 58-2 Request for Transfer of Clearing Brokerage Contract of Clearing Customer)

- 1 A Clearing Customer, with respect to whom no Event of Default set forth in the Clearing Brokerage Agreement has occurred (referred to in this Article and Article 58-3 as “Transferring Customer”), may, in accordance with the provisions set forth in this Article and Article 58-3, have all or a part of Clearing Brokerage Contracts existing between it and the Clearing Participant on Customer Account Transferred to a Clearing Participant (hereinafter referred to as “Receiving Clearing Participant) or another Clearing Customer (referred to in this Article and Article 58-3 as “Receiving Customer”).
- 2 When Transferring the Clearing Brokerage Contracts to the Clearing Participant on Customer Account for the Transferring Customer pursuant to the provisions of Paragraph 1, the Transferring Customer shall ask the Clearing Participant on Customer Account for the Transferring Customer to accept such Transfer, and shall obtain consent of such Clearing Participant on Customer Account in advance. When Transferring Clearing Brokerage Contracts to a Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer pursuant to the provisions of Paragraph 1, the Transferring Customer shall ask Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant to accept such Transfer, and shall obtain their consent in advance. When Transferring Clearing Brokerage Contracts to a Receiving Customer pursuant to the provisions of Paragraph 1, the Transferring Customer shall ask the Clearing Participant on Customer Account for the Transferring Customer, the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer to accept such Transfer, and shall obtain their consent in advance.
- 3 When the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer, or the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant, or the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer, the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer, as applicable, consents to the Transfer have been obtained as set forth in Paragraph 2, they shall request the Transfer to JSCC in a manner prescribed by JSCC.
- 4 Before JSCC accepts the request for the Transfer as set forth in Article 58-3, Paragraph 1, the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer, or the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant, or the Transferring Customer, the Clearing Participant on Customer Account for the Transferring

Customer, the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer, as applicable, may withdraw the request for the Transfer submitted pursuant to the provisions of Paragraph 3 in a manner prescribed by JSCC.

(Article 58-3 Completion of Transfer of Clearing Brokerage Contract of Clearing Customer)

- 1 Upon receipt of the request for Transfer made in accordance with the provisions of Article 58-2, Paragraph 3, JSCC shall accept the request for such Transfer, if JSCC can confirm that the Clearing Brokerage Contract effectively exist between the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer, and that (i) in the case of a Transfer to Clearing Participant on Customer Account for the Transferring Customer, the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer have agreed to the Transfer, (ii) in the case of a Transfer to the Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer, the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant have agreed to the Transfer, or (iii) in the case of a Transfer to the Receiving Customer, the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer, the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer have agreed to the Transfer, and judges that there is no specific issue in position holding status of the Clearing Participant on Customer Account for the Transferring Customer (or the Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant, in the case of a Transfer to the Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer, or the Clearing Participant on Customer Account for the Transferring Customer and the Clearing Participant on Customer Account for the Receiving Customer, in the case of a Transfer to the Receiving Customer) after the Transfer.
- 2 Transfer of Clearing Brokerage Contracts shall come into effect at the time when JSCC accepts the request for the Transfer pursuant to the provisions of Paragraph 1.
- 3 For a Transfer of Clearing Brokerage Contract to a Receiving Clearing Participant, when the Transfer comes into effect pursuant to the provisions of Paragraph 2, the Clearing Brokerage Contracts between the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer subject to the Transfer shall terminate as a matter of course, and claims and obligations under such Clearing Brokerage Contracts shall cease to have future effect. For a Transfer of Clearing Brokerage Contract to the Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer, when the Transfer comes into effect pursuant to the provisions of Paragraph 2, the Clearing Brokerage Contracts between the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer subject to the Transfer and the Clearing Contracts (Customer Account) corresponding to the said Clearing Brokerage Contracts shall terminate as a matter of course, and claims and obligations under such Clearing Brokerage Contracts shall cease to have future effect. In addition, in case of a Transfer of Clearing Brokerage Contracts to a Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer, simultaneously, the claims and obligations that are identical, in terms and conditions separately designated by

JSCC, to the claims and obligations under the Clearing Contracts (Customer Account) terminating pursuant to the provisions of this Paragraph shall arise between the Receiving Clearing Participant and JSCC.

- 4 In the case of a Transfer to the Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer, JSCC shall calculate the amount to be paid upon succession and the Early Termination Fee in a manner prescribed by JSCC, and, in association with the termination of the Clearing Contracts (Customer Account) and the coming into effect of the claims and obligations as set forth in Paragraph 3, JSCC, the Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant shall pay and/or receive the amount to be paid upon succession, the Early Termination Fee and Variation Margin in a manner prescribed by JSCC.
- 5 For a Transfer of Clearing Brokerage Contracts to a Receiving Customer whose Clearing Participant on Customer Account is the same as the Clearing Participant on Customer Account for the Transferring Customer, when the Transfer comes into effect pursuant to the provisions of Paragraph 2, the Clearing Brokerage Contracts between the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer to be Transferred shall terminate as a matter of course, and claims and obligations under such Clearing Brokerage Contracts shall cease to have future effect, and simultaneously legal relationship with the same terms as the said Clearing Brokerage Contracts shall arise between the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer. For a Transfer of Clearing Brokerage Contracts to a Receiving Customer whose Clearing Participant on Customer Account is not the same as the Clearing Participant on Customer Account for the Transferring Customer, when the Transfer comes into effect pursuant to the provisions of Paragraph 2, the Clearing Brokerage Contracts between the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer and the Clearing Contracts (Customer Account) corresponding to the said Clearing Brokerage Contracts shall terminate as a matter of course and claims and obligations thereunder shall cease to have future effect, and simultaneously, the legal relationship with the same terms and conditions as the said Clearing Brokerage Contracts shall come into effect between the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer, and the claims and obligations identical, in terms and conditions separately designated by JSCC, to the claims and obligations under the Clearing Contracts (Customer Account) terminating pursuant to this Paragraph shall come into effect between the Clearing Participant on Customer Account for the Receiving Customer and JSCC
- 6 In case of the Transfer to the Receiving Customer whose Clearing Participant on Customer Account is not the same as the Clearing Participant on Customer Account for the Transferring Customer, in association with the termination of the Clearing Contracts (Customer Account) and coming into effect of the legal relationship pursuant to the provisions of Paragraph 5, JSCC, the Clearing Participant on Customer Account for the Transferring Customer and the Clearing Participant on Customer Account for the Receiving Customer shall pay and/or receive the amount to be paid upon succession, the Early

Termination Fee and Variation Margin in a manner prescribed by JSCC.

- 7 The settlement of claims and obligations between the Transferring Customer and the Clearing Participant on Customer Account for the Transferring Customer, or among the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer and the Receiving Clearing Participant, or among the Transferring Customer, the Clearing Participant on Customer Account for the Transferring Customer, the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer, as applicable, required in association with the Transfer of the Clearing Brokerage Contracts shall be performed among the relevant parties in accordance with their agreements.
- 8 When Transferring the Clearing Brokerage Contracts to the Receiving Clearing Participant, the provisions of the Business Rules, etc. shall apply by regarding the Clearing Contracts (Customer Account) corresponding to the Clearing Brokerage Contracts terminating pursuant to the provisions of the first sentence of Paragraph 3, or, in the case of a Transfer to the Receiving Clearing Participant other than the Clearing Participant on Customer Account for the Transferring Customer, the claims and obligations arising pursuant to the provisions of the second sentence of Paragraph 3, as the Clearing Contracts (Own Account) of the Receiving Clearing Participant.
- 9 When Transferring the Clearing Brokerage Contracts to the Receiving Customer, the provisions of the Business Rules, etc. shall apply by regarding the legal relationship that comes into existence between the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer pursuant to the provisions of Paragraph 5 as Clearing Brokerage Contracts executed through commission of Clearing Brokerage to the Clearing Participant on Customer Account for the Receiving Customer and (i) by regarding the Clearing Contracts (Customer Account) corresponding to the Clearing Brokerage Contracts terminating pursuant to the first sentence of Paragraph 5 as the Clearing Contracts (Customer Account) which come into effect on an account of the Receiving Customer, or (ii) in the case of a Transfer to the Receiving Customer whose Clearing Participant on Customer Account is not the same as the Clearing Participant on Customer Account for the Transferring Customer, by regarding the claims and obligations arising between the Clearing Participant on Customer Account for the Receiving Customer and JSCC pursuant to the provisions of the second sentence of Paragraph 5 as the Clearing Contracts (Customer Account) that comes into effect on an account of the Receiving Customer.

(Article 58-4 Request for Transfer of Clearing Contracts (Own Account) of Clearing Participant)

- 1 A Clearing Participant (referred to in this Article and Article 58-5 as “Transferring Clearing Participant”) may, in accordance with the provisions set forth in this Article and Article 58-5, Transfer all or a part of the Clearing Contracts (Own Account) existing between it and JSCC to a Clearing Customer (referred to in this Article and Article 58-5 as “Receiving Customer”).
- 2 When Transferring the Clearing Contracts (Own Account) pursuant to the provisions of

Paragraph 1, the Transferring Clearing Participant shall ask the Receiving Customer to accept such Transfer, and shall obtain consent of such Receiving Customer in advance. When Transferring the Clearing Contracts (Own Account) to a Receiving Customer, for whom another Clearing Participant is acting as Clearing Participant on Customer Account, pursuant to the provisions of Paragraph 1, such Transferring Clearing Participant shall ask the Receiving Customer and the Clearing Participant which is acting as a Clearing Participant on Customer Account for the Receiving Customer to accept such Transfer, and shall obtain their consents in advance.

- 3 When the Transferring Clearing Participant and the Receiving Customer, or the Transferring Clearing Participant, the Clearing Participant which is acting as a Clearing Participant on Customer Account for the Receiving Customer and the Receiving Customer, as applicable, obtains consent to the Transfer of the Clearing Contracts (Own Account) as set forth in Paragraph 2, they shall request the Transfer to JSCC in a manner prescribed by JSCC.
- 4 Before JSCC accepts the request for the Transfer as set forth in Article 58-5, Paragraph 1, the Transferring Clearing Participant and the Receiving Customer, or the Transferring Clearing Participant, the Clearing Participant which is acting as a Clearing Participant on Customer Account for the Receiving Customer and the Receiving Customer, as applicable, may withdraw the request for the Transfer submitted pursuant to the provisions of Paragraph 3 in a manner prescribed by JSCC.

(Article 58-5 Completion of Transfer of Clearing Contracts (Own Account) of Clearing Participant)

- 1 Upon receipt of the request for Transfer made in accordance with the provisions of Article 58-4, Paragraph 3, JSCC shall accept the request for such Transfer, if JSCC can confirm that the Clearing Contracts (Own Account) effectively exist between JSCC and the Transferring Clearing Participant and that (i) in the case of a Transfer to its Clearing Customer, the Transferring Clearing Participant and the Receiving Customer have agreed to the Transfer or (ii) in the case of a Transfer to a Clearing Customer whose Clearing Participant on Customer Account is another Clearing Participant, the Transferring Clearing Participant, Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer have agreed to the Transfer, and judges that there is no specific issue in position holding status of the Transferring Clearing Participant (or the Transferring Clearing Participant and the Clearing Participant on Customer Account for the Receiving Customer, in the case of a Transfer to the Receiving Customer whose Clearing Broker is another Clearing Participant) after the Transfer.

- 2 Transfer of the Clearing Contracts (Own Account) shall come into effect at the time when JSCC accepts the request for the Transfer pursuant to the provisions of Paragraph 1.
- 3 When the Transfer of Clearing Contracts (Own Account) becomes effective pursuant to the provisions of Paragraph 2, the legal relationship with the same economic effect as the relevant Clearing Contracts (Own Account) shall arise between the Receiving Customer and the Clearing Participant on Customer Account for the Receiving Customer. In this case, when the Clearing Contracts (Own Account) are Transferred to a Receiving Customer whose Clearing Participant on Customer Account is another Clearing Participant, such Clearing Contracts (Own Account) shall terminate as a matter of course, and the claims and obligations under the relevant Clearing Contract (Own Account) shall cease to have future effect, and simultaneously, the claims and obligations that are identical, in terms and conditions separately designated by JSCC, to the claims and obligations of such Clearing Contracts (Own Account) shall arise between the Clearing Participant on Customer Account for the Receiving Customer and JSCC.
- 4 The settlement of claims and obligations between a Transferring Clearing Participant and a Receiving Customer (or, in case of a Transfer to a Receiving Customer whose Clearing Participant on Customer Account is another Clearing Participant, among a Transferring Clearing Participant, a Receiving Customer and a Clearing Participant on Customer Account for the Receiving Customer) required in association with the Transfer of the Clearing Contracts (Own Account) shall be performed among the relevant parties in accordance with their agreements.
- 5 In case of a Transfer to a Receiving Customer whose Clearing Participant on Customer Account is another Clearing Participant, JSCC shall calculate the amount to be paid upon succession and the Early Termination Fee, and, in association with the termination of the Clearing Contracts (Own Account) and coming into effect of the claims and obligations pursuant to the provisions of Paragraph 3, JSCC, the Transferring Clearing Participant and the Clearing Participant on Customer Account for the Receiving Customer shall pay and/or receive the amount to be paid upon succession, the Early Termination Fee and Variation Margin in a manner prescribed by JSCC.
- 6 The provisions of the Business Rules, etc. shall apply by regarding the legal relationship arising pursuant to the provisions of the first sentence of Paragraph 3 as Clearing Brokerage Contracts executed through commission of Clearing Brokerage to the Clearing Participant on Customer Account for the Receiving Customer and by regarding the Clearing Contracts (Own Account) for which the request as set forth in Paragraph 1 was made (or, in the case of

a Transfer of the Clearing Contracts (Own Account) to a Clearing Customer whose Clearing Participant on Customer Account is another Clearing Participant, the claims and obligations arising pursuant to the provisions of the second sentence of Paragraph 3) as the Clearing Contracts (Customer Account) corresponding to the Clearing Brokerage Contracts.

Chapter 5 Clearing Participant Account, etc.

(Article 59 Clearing Participant Account)

- 1 JSCC shall set up an account for each Clearing Participant (hereinafter referred to as “Clearing Participant Account”) to manage the Initial Margin, the Variation Margin, cash paid or received at the Settlement in respect of each Clearing Contract to which each Clearing Participant is a party and other Money, etc. paid or received in respect of such Clearing Contract in accordance with these Business Rules, etc. between JSCC and each Clearing Participant.
- 2 A Clearing Participant Account shall be separated into an account to record the Clearing Contracts for a Clearing Participant’s own account (hereinafter referred to as “Proprietary Transaction Account”) and an account to record the Clearing Contracts for a Clearing Customer’s account for each Clearing Brokerage Agreement (hereinafter referred to as “Customer Transaction Account”). For this purpose, JSCC may not use one Customer Transaction Account for multiple Clearing Customers or for multiple Clearing Brokerage Agreements of one Clearing Customer.
- 3 JSCC may set up Proprietary Transaction Account or multiple Customer Transaction Accounts for a Clearing Participant when requested by such Clearing Participant.
- 4 JSCC may set up multiple accounts in order to divide Proprietary Transaction Account set up for a Clearing Participant when requested by such Clearing Participant.
- 5 A Clearing Participant shall, if it opens a Clearing Brokerage Account to be divided into multiple accounts pursuant to the provisions of Paragraph 2 of the following Article, request JSCC to divide a Customer Transaction Account in accordance with such division, and JSCC shall set up multiple accounts to divide the Customer Transaction Account based on such request.
- 6 In respect of the Proprietary Transaction Accounts or Customer Transaction Accounts for which multiple accounts (hereinafter referred to as “Sub-Accounts”) are set up in accordance with two preceding Paragraphs, JSCC shall make entry for Clearing Contracts in each Sub-Account according to designations by such Clearing Participant.
- 7 The claims and obligations between JSCC and a Clearing Participant and the claims and obligations between JSCC and a Clearing Customer in relation to each Clearing Contract and Initial Margin and Variation Margin related thereto shall arise separately for the Proprietary Transaction Account and each of the Customer Transaction Accounts.

(Article 60 Clearing Brokerage Account)

- 1 A Clearing Participant on Customer Account shall set up an account by each Clearing Brokerage Agreement executed with a Clearing Customer (hereinafter referred to as “Clearing Brokerage Account”) for management of the details of Clearing Brokerage Contracts to which each Clearing Customer is a party, the Initial Margins, the Customer Initial Margins and the Variation Margins paid for such Clearing Brokerage Contracts, Money, etc. paid or received at the Settlement of Clearing Contract (Customer Account) and other Money etc. paid or received in accordance with each of such Clearing Brokerage Agreements and these Business Rules, etc. between a Clearing Participant on Customer Account and the Clearing Customer.
- 2 Upon request of a Customer, a Clearing Participant on Customer Account may set up multiple accounts to divide the Clearing Brokerage Account set up for a Clearing Customer.
- 3 The claims and obligations between a Clearing Participant on Customer Account and a Clearing Customer in relation to each Clearing Brokerage Contract and Initial Margin and Variation Margin related thereto shall arise separately for each of the Clearing Brokerage Accounts.

Chapter 6 Margin

Section 1 General Provisions

(Article 61 Purpose of Margin)

- 1 Margin shall be paid or received between JSCC, a Clearing Participant and a Clearing Customer pursuant to these Business Rules, etc. and the Clearing Brokerage Agreement for the purpose of securing obligations listed in each Item below (hereinafter referred to as “Secured Obligations” in the following Paragraph) in accordance with the classification of Margin listed in each such Item:
 - (1) Initial Margin:
Obligations that a Clearing Participant owes to JSCC in relation to Clearing Contracts (including the obligation arising out of termination of such Clearing Contracts) and obligations that a Clearing Customer owes to a Clearing Participant on Customer Account in relation to Clearing Brokerage Contracts (including the obligation arising out of termination of such Clearing Contracts)
 - (2) Customer Initial Margin:
The obligations that a Clearing Customer owes to a Clearing Participant on Customer Account in relation to a Clearing Brokerage Contract (including the obligation arising out of termination of such Clearing Brokerage Contract)
 - (3) The Variation Margin paid or received between JSCC and each Clearing Participant in relation to Clearing Contracts (Own Account):
Obligations that a Clearing Participant owes to JSCC in relation to Clearing Contracts (Own Account) or obligations that JSCC owes to a Clearing Participant in relation to

Clearing Contracts (Own Account)

- (4) The Variation Margin paid or received between JSCC and each Clearing Participant on Customer Account in relation to Clearing Contracts (Customer Account):
Obligations that a Clearing Participant on Customer Account owes to JSCC in relation to Clearing Contracts (Customer Account) or obligations that JSCC owes to a Clearing Participant on Customer Account in relation to Clearing Contracts (Customer Account)
 - (5) The Variation Margin paid or received between a Clearing Participant on Customer Account and a Clearing Customer in relation to a Clearing Brokerage Contracts:
Obligations that a Clearing Customer owes to a Clearing Participant on Customer Account in relation to Clearing Brokerage Contracts or obligations that a Clearing Participant on Customer Account owes to a Clearing Customer in relation to Clearing Brokerage Contracts
- 2 JSCC, a Clearing Participant or a Clearing Customer who has received a deposit of Margin may appropriate the same (in the case of the Margin in the form of Substitute Securities, the residual amount of cash proceeds from such securities deducted by the cost required for the realisation thereof; the same shall apply hereinafter in this Paragraph) to satisfy Secured Obligations or to set off the right to claim a return of the Margin against the claims related to the Secured Obligations in the equivalent amounts in accordance with these Business Rules, etc. and the Clearing Brokerage Agreement.
- 3 Unless otherwise specified in these Business Rules, etc., the deposit of the Margin shall constitute a deposit for consumption (*shohi kitaku*) for collateral purpose in the case of the Margin in cash; and a loan for consumption (*shohi taishaku*) free of charge for collateral purpose in the case of the Margin consisting of Substitute Securities.
- (Article 62 Precedence between these Business Rules, etc. and Civil Code or Commercial Code)
Notwithstanding the provisions of the Civil Code (Act No.89 of 1896) and the Commercial Code (Act No.48 of 1899), JSCC, a Clearing Participant and a Clearing Customer may claim a return of Margin or others, only if prescribed in these Business Rules, etc. or the Clearing Brokerage Agreement.

Section 2 Initial Margin

(Article 63 Obligation to Deposit Initial Margin)

A Clearing Participant and a Clearing Customer shall be obligated to deposit the Initial Margin with JSCC pursuant to the provisions of each Item below in accordance with the classification of the Clearing Contracts listed in each such Item:

(1) Clearing Contract (Own Account)

A Clearing Participant shall, when a Clearing Contract (Own Account) is executed, deposit with JSCC cash or Substitute Securities in an amount not less than the Required Initial Margin Amount in relation to such Clearing Contract (Own Account)

as Initial Margin.

(2) Clearing Contract (Customer Account)

- a. A Clearing Customer shall, when a Clearing Contract (Customer Account) for the account of such Clearing Customer is executed by a Clearing Participant on Customer Account, deposit with JSCC cash or Substitute Securities in an amount not less than the Required Initial Margin Amount (if otherwise agreed to between the Clearing Participant on Customer Account and the Clearing Customer, the larger of the amount calculated based on such agreement and the Required Initial Margin Amount; the same shall apply hereinafter) in relation to such Clearing Contract (Customer Account) relevant to such Clearing Customer as Initial Margin.
- b. Deposit of Initial Margin by a Clearing Customer with JSCC pursuant to a. above shall be made through a Clearing Participant on Customer Account prescribed in a. above acting as an agent in accordance with the provisions of Article 68.
- c. In the case where a Clearing Customer deposits the Customer Initial Margin with a Clearing Participant on Customer Account in accordance with Article 68, the amount of such Customer Initial Margin shall be deducted from the Required Initial Margin Amount to be deposited with JSCC by such Clearing Customer. In such case, the Clearing Participant on Customer Account shall deposit with JSCC cash or Substitute Securities as Substituted Initial Margin in an amount not less than the Customer Initial Margin deposited by the Clearing Customer.

(Article 64 Required Initial Margin Amount for Clearing Participant)

- 1 JSCC shall calculate the Required Initial Margin Amount for a Clearing Participant for Clearing Contracts (Own Account) and Clearing Contracts (Customer Account) respectively on each JSCC Business Day in the manner prescribed by JSCC.
- 2 The Required Initial Margin Amount in respect of Clearing Contracts (Own Account) shall be the sum of the amounts calculated for each Proprietary Transaction Account (in the case of a Proprietary Transaction Account is divided into Sub-Accounts, the sum of the amounts calculated for each Sub-Account).
- 3 The Required Initial Margin Amount for each Customer Transaction Account in respect of Clearing Contracts (Customer Account) shall be the amounts calculated for each Customer Transaction Account (in the case of a Customer Transaction Account is divided into Sub-Accounts, the sum of the amounts calculated for each Sub-Account).
- 4 JSCC shall notify each Clearing Participant of the calculated Required Initial Margin Amount in the manner prescribed by JSCC.

(Article 65 Required Initial Margin Amount for Clearing Customer)

- 1 The Required Initial Margin Amount for a Clearing Customer shall be the amount calculated by JSCC in the manner prescribed by JSCC for the Customer Transaction Account (in the

case where Sub-Accounts are set up, the sum of the amounts calculated for each Sub-Account).

- 2 A Clearing Participant on Customer Account shall promptly notify a relevant Clearing Customer of the Required Initial Margin Amount for the Clearing Customer calculated by JSCC pursuant to the preceding Paragraph.

(Article 66 Cutoff Time for Deposit of Initial Margin)

When the sum of the cash and the substitute prices of Substitute Securities deposited as Initial Margin with JSCC (hereinafter referred to as "Initial Margin Deposited Amount") falls short of the Required Initial Margin Amount for the Proprietary Transaction Account or each Customer Transaction Account to be deposited with JSCC, the Clearing Participant or the Clearing Customer shall deposit with JSCC the deficient amount by 11:00 a.m. of the JSCC Business Day immediately following the day on which such shortfall arises.

(Article 67 Method of Deposit of Initial Margin)

Initial Margins shall be deposited with JSCC in the manner prescribed by JSCC.

(Article 68 Deposit of Initial Margin by Clearing Customer)

- 1 A Clearing Customer shall deliver cash or Substitute Securities in an amount not less than the Required Initial Margin Amount to be deposited with JSCC to a Clearing Participant on Customer Account in accordance with the Clearing Brokerage Agreement.
- 2 A Clearing Participant on Customer Account shall deposit with JSCC all of cash or Substitute Securities delivered as Initial Margin by a Clearing Customer pursuant to the provisions of the preceding Paragraph as an agent of such Clearing Customer.
- 3 A Clearing Participant on Customer Account shall conduct separate management of the cash and Substitute Securities delivered by Clearing Customers as Initial Margin through separate accounting books and entries for each Clearing Brokerage Account.
- 4 In the case where the sum of the cash and the substitute prices of the Substitute Securities delivered to a Clearing Participant on Customer Account by a Clearing Customer as the Initial Margin is less than the Required Initial Margin Amount to be deposited with JSCC by such Clearing Customer, such Clearing Participant on Customer Account shall deposit with JSCC the money or Substitute Securities in an amount not less than the deficient amount at its own expense by the date and time specified in Paragraph 1 of Article 66.
- 5 The cash or Substitute Securities deposited with JSCC by the Clearing Participant on Customer Account at its own expense pursuant to the preceding Paragraph shall be regarded as Substituted Initial Margin.

(Article 69 Substituted Deposit)

- 1 A Clearing Participant on Customer Account may accept deposit of cash or Substitute Securities by a Clearing Customer as Customer Initial Margin for Clearing Contracts (Customer Account) with the consent of such Clearing Customer.

- 2 When a Clearing Customer deposits with a Clearing Participant on Customer Account cash or Substitute Securities as Customer Initial Margin, such Clearing Participant on Customer Account shall deposit with JSCC cash or Substitute Securities in an amount not less than the amount of the deposited cash or Substitute Securities as Substituted Initial Margin at its own expense.
- 3 In the case of the preceding Paragraph, a Clearing Participant on Customer Account shall conduct separate management of the cash and Substitute Securities deposited by Clearing Customers as Customer Initial Margins through separate accounting books and entries for each Clearing Brokerage Account.

(Article 70 Intraday Deposit of Initial Margin)

- 1 Notwithstanding the provisions of Articles 64 through 66, in the case where the market of CDS Transactions fluctuates beyond the range specified by JSCC or any other event for which JSCC deems it necessary to do so to secure appropriate operation of CDS Clearing Business, JSCC may require Clearing Participants to make an intraday deposit of Initial Margin in the manner prescribed by JSCC.
- 2 When JSCC requires a Clearing Participant to make an intraday deposit of Initial Margin pursuant to the preceding Paragraph, the Clearing Participant shall deposit with JSCC cash or Substitute Securities in an amount not less than the required amount of intraday deposit of Initial Margin less the sum of the cash and the substitute prices of the Substitute Securities deposited with JSCC as Initial Margin (hereinafter referred to as “Required Additional Deposit Amount”) as Initial Margin for Clearing Contracts (Own Account) by 3:00 p.m. on the date of such requirement.
- 3 The required amount of intraday deposit of Initial Margin shall be calculated by JSCC in the manner prescribed by JSCC based on the market price of CDS Transactions at the point of time specified by JSCC.
- 4 Notwithstanding the provisions of Paragraph 2, a Clearing Participant whose Required Additional Deposit Amount is less than the amount prescribed by JSCC shall not be required to deposit Initial Margin pursuant to the provisions of Paragraph 2.

(Article 71 Classification and Management Method of Initial Margin)

- 1 When a Clearing Participant delivers cash or Substitute Securities as Initial Margin to JSCC, the Clearing Participant shall deposit such cash or Substitute Securities separately according to the classification listed in each Item below:
 - (1) Initial Margin for Clearing Contract (Own Account);
 - (2) Initial Margin for Clearing Contract (Customer Account) of each Clearing Customer to be deposited by a Clearing Participant acting as an agent of a Clearing Customer; and
 - (3) Initial Margin for Clearing Contract (Customer Account) of each Clearing Customer to be deposited by a Clearing Participant as Substituted Initial Margin.

- 2 JSCC shall manage cash or Substitute Securities deposited by a Clearing Participant as Initial Margin separately according to the classification prescribed in each Item of the preceding Paragraph.
- 3 With respect to the Substituted Initial Margin described in Item (3) of Paragraph 1, a Clearing Participant shall report to JSCC, on each JSCC Business Day, the amount of Customer Initial Margin in the form of cash, and the total amount of the substitute prices of Substitute Securities deposited as Customer Initial Margin by the Clearing Customer with the Clearing Participant. JSCC shall separately monitor the difference between the amount of cash and the substitute price of Substitute Securities deposited as Customer Initial Margin and the amount of the Substituted Initial Margin.

(Article 72 Right to Claim Return of Initial Margin)

- 1 A Clearing Participant and a Clearing Customer shall have the right to claim return of Initial Margin against JSCC as prescribed in each Item below in accordance with the classification of Initial Margin listed in each such Item:

(1) Initial Margin for Clearing Contracts (Customer Account)

- a. For Initial Margin and Substituted Initial Margin deposited with JSCC on behalf of a Clearing Customer, the Clearing Customer shall have the right to request the return of Initial Margin in the amount equivalent to the sum of Initial Margin and Substituted Initial Margin less the outstanding obligation of the Clearing Customer owed to its Clearing Participant on Customer Account in respect of the Clearing Brokerage Contract (including any outstanding obligation arising as a result of the termination of Clearing Brokerage Contracts).

Notwithstanding the foregoing, in case the amount calculated above as Clearing Customer's claim exceeds the sum of Initial Margin and Substituted Initial Margin less the outstanding obligation of the Clearing Customer owed to the Clearing Participant on Customer Account in respect of the Clearing Brokerage Contracts (including any outstanding obligation arising as a result of the settlement of the Clearing Contracts (Customer Account) due to Default, etc. of the Clearing Participant or for other reason), the Customer's claim shall be limited to the said amount so summed.; and

- b. A Clearing Participant shall have the right to claim return of Initial Margin in the amount equivalent to the sum of Initial Margin deposited with JSCC by the Clearing Customer set forth in a. above with whom such Clearing Participant has entered into a Clearing Brokerage Agreement in respect of Clearing Contracts (Customer Account) and the Substituted Initial Margin deposited by the Clearing Participant with JSCC for such Clearing Contracts (Customer Account), less the sum of the outstanding obligations of such Clearing

Participant owed to JSCC in respect of such Clearing Contracts (Customer Account) and the amount of Initial Margin of which said Clearing Customer shall have the right to claim return.

(2) Initial Margin for Clearing Contracts (Own Account)

A Clearing Participant shall have the right to claim return of Initial Margin in the amount equivalent to the amount of Initial Margin deposited by such Clearing Participant with JSCC less the amount of outstanding obligation of the Clearing Participant owed to JSCC in respect of the Clearing Contracts (Own Account) (including the outstanding obligation arising out of the settlement of Clearing Contracts (Own Account) due to Default, etc. of such Clearing Participant or other reason owed to JSCC).

- 2 A Clearing Participant or a Clearing Customer may, if the amount of the right to claim return of Initial Margin prescribed in the preceding Paragraph exceeds the Required Initial Margin Amount to be deposited with JSCC, request JSCC to return Initial Margin up to such excess amount.
- 3 A Clearing Customer may, in addition to the case prescribed in the preceding Paragraph, claim return of Initial Margin in the case prescribed by JSCC.
- 4 A Clearing Customer shall exercise the right to claim return of Initial Margin through the Clearing Participant on Customer Account as its agent; provided, however, in the case where JSCC determined the Default, etc. of such Clearing Participant on Customer Account to have occurred, the Clearing Customer shall exercise the right to claim return of Initial Margin directly from JSCC.
- 5 Notwithstanding the provisions of Paragraph 2 and Paragraph 3, in the case where a Clearing Customer has the right to claim return of Customer Initial Margin against the Clearing Participant on Customer Account, such Clearing Customer may not exercise the right to claim return of Initial Margin from JSCC of the portion of the Initial Margin corresponding to such Customer Initial Margin, except where JSCC determines Default, etc. of the Clearing Participant on Customer Account to have occurred.

Section 3 Variation Margin

(Article 73 Payment or Receipt of Variation Margin)

JSCC and a Clearing Participant shall pay or receive the Variation Margin on each JSCC Business Day.

(Article 74 Required Amount of Variation Margin)

- 1 The required amount of Variation Margin shall be calculated by JSCC for each Proprietary Transaction Account (if Sub-Accounts are set up therefor, each Sub-Account in respect of the Proprietary Transaction Account) and each Customer Transaction Account (if Sub-Accounts are set up therefor, each Sub-Account in respect of the Customer Transaction Account) of each Clearing Participant in accordance with the fluctuation of Net Present Value of Clearing

Contracts from the previous JSCC Business Day to the current JSCC Business Day by the method prescribed by JSCC.

- 2 JSCC shall calculate the required amount of Variation Margin in respect of Clearing Contracts (Customer Account) for each Customer Transaction Account by the method prescribed by JSCC and shall notify of such amount to the Clearing Participant on Customer Account which has entered into the Clearing Brokerage Agreement with such Clearing Customer.

(Article 75 Determination of Clearing Price)

- 1 A Clearing Participant (limited to the person designated by JSCC based on the application by such Clearing Participant) shall report to JSCC the quotes (limited to those prescribed by JSCC in public notices for Single Name CDS Transactions; the same shall apply in the following Paragraph) for all Issues (or all Reference Entities for Single Name CDS Transactions) of Eligible CDS Transactions (limited to CDS Transactions relevant to the application) within a period of time prescribed by JSCC on each JSCC Business Day in the manner prescribed by JSCC.
- 2 A Clearing Participant (excluding the Clearing Participant set forth in the preceding Paragraph and who is a Specified Successor Financial Institution) shall report to JSCC the quotes for Eligible CDS Transactions (limited to those for which such Clearing Participant has Clearing Contracts) within a period of time prescribed by JSCC on each JSCC Business Day in the manner prescribed by JSCC.
- 3 JSCC shall determine a clearing price on each JSCC Business Day in respect of each Issue of Eligible CDS Transactions based on the quotes reported by Clearing Participants pursuant to the preceding two Paragraphs in the manner prescribed by JSCC.
- 4 A Clearing Participant may entrust the reporting of the quotes set forth in Paragraph 1 and Paragraph 2 to an entity which belongs to the Corporate Group including the Clearing Participant.

(Article 76 Measures to Ensure Reliability of Clearing Price)

- 1 In the case where the quote reported by a Clearing Participant pursuant to Paragraph 1 and Paragraph 2 of the preceding Article falls under the events prescribed by JSCC, such Clearing Participant shall execute a CDS Transaction upon the terms and conditions prescribed by JSCC or pay the amount prescribed by JSCC in addition to the fees prescribed in Article 16 hereof.
- 2 In the case where a Clearing Participant fails to give a report pursuant to Paragraph 1 and Paragraph 2 of the preceding Article, such Clearing Participant shall pay the amount prescribed by JSCC in addition to the fees prescribed in Article 16 hereof.

(Article 77 Cutoff Time for Deposit of Variation Margin)

- 1 A Clearing Participant who is a payer of Variation Margin shall deposit with JSCC the amount of cash equivalent to the required amount of Variation Margin by 11:00 a.m. of the JSCC Business Day immediately following the day on which the Variation Margin is

calculated.

- 2 JSCC shall deposit with a Clearing Participant who is a payee of Variation Margin the amount of cash equivalent to the required amount of Variation Margin without delay after 1:30 p.m. of the JSCC Business Day immediately following the day on which the Variation Margin is calculated.

(Article 78 Handling of Interests on Variation Margin)

- 1 JSCC and a Clearing Participant shall pay or receive interest on Variation Margin on a daily basis at the base rate prescribed by JSCC in the manner prescribed by JSCC.
- 2 A Clearing Participant who is a payer of interest on Variation Margin shall pay interest on Variation Margin to JSCC by 11:00 a.m. on the next JSCC Business Day following the date of calculation of such interest on Variation Margin.
- 3 JSCC shall pay interest on Variation Margin to each Clearing Participant who is a receiver of such interest after 1:30 p.m. of the third JSCC Business Day of each month.

(Article 79 Right to Claim Return of Variation Margin)

JSCC and a Clearing Participant may not claim return of Variation Margin between each other except for the case where the Variation Margin is paid or received pursuant to these Business Rules, etc. or where the Variation Margin is returned in connection with the Early Termination of any Clearing Contract.

Chapter 7 Settlement of Moneys

(Article 80 Method of Settlement of Moneys)

- 1 JSCC and a Clearing Participant shall make payments and receipts of moneys specified by JSCC in the manner prescribed by JSCC.
- 2 JSCC may pay or receive moneys with a Clearing Participant on a net basis by Proprietary Transaction Account and each Customer Transaction Account in a manner prescribed by JSCC.

(Article 80-2 Netting of Initial Margin and Settlement Amount)

- 1 After the netting pursuant to Paragraph 2 of the immediately preceding Article, for each account the net amount payable by a Clearing Participant to JSCC (referred to as “Clearing Participant Net Payable” in this Article) in terms of Settlement Amount, Variation Margin and interest on Variation Margin (referred to as “Cash Settlement Amount” in this Article and Article 80-3) shall be netted with Initial Margin (as set forth in Article 66) as specified in the formulae below. If the net amount is negative, then the Clearing Participant shall deposit the absolute value of such amount with JSCC. The element calculated in Item (1) shall be deposited in cash:

- (1) Cash Initial Margin deposited with JSCC at the end of the preceding JSCC Business Day minus Clearing Participant Net Payable
 - (2) Initial Margin Deposited Amount at the end of the preceding JSCC Business Day minus cash allocated to Settlement (Item (1) above) minus Required Initial Margin Amount
- 2 After the netting pursuant to the provisions of Paragraph 2 of the immediately preceding Article, for each account, a net amount payable by JSCC (referred to as “JSCC Net Payable” in this Article) shall be netted with Initial Margin (as set forth in Article 66) as specified in the formula below. If the net amount is negative, then the Clearing Participant shall deposit the absolute value of such amount with JSCC.

Initial Margin Deposited Amount at the end of the preceding JSCC Business Day plus JSCC Net Payable minus Required Initial Margin Amount at the end of the preceding JSCC Business Day

(Article 80-3 Request for Withdrawal and Deemed Deposit of Initial Margin)

- 1 A Clearing Participant due to receive the Cash Settlement Amount, as a result of the netting set forth in Article 80-2, shall only receive such amount upon informing JSCC of the attribution of such payment across each of its Proprietary Transaction Account and Customer Transaction Accounts.
- 2 If no request for the withdrawal of Initial Margin (as specified in Paragraph 1 above) is received for a particular Proprietary Transaction Account or Customer Transaction Account, the net Cash Settlement Amount for that account shall be deemed to have been deposited in the relevant account as Initial Margin.

Chapter 8 Settlement, etc.

Section 1 Credit Events

(Article 81 Decision on Material Matters concerning Credit Events)

- 1 JSCC shall determine the following matters concerning the Credit Events in respect of Clearing Contracts and Reference Entities (or their Obligations) (hereinafter referred to as “Material Matter(s) concerning Credit Events”):
 - (1) Matters concerning the occurrence of events constituting Credit Events; and
 - (2) Matters concerning Physical Settlement.

- 2 If there is a resolution of any Credit Derivatives Determination Committee in connection with any Material Matter concerning Credit Events, JSCC shall determine such Material Matter concerning Credit Events pursuant to the preceding Paragraph in compliance with such resolution.
- 3 Notwithstanding the provisions of the preceding Paragraph, in the case where ISDA has been requested to convene a meeting of a Credit Derivatives Determination Committee in connection with any Material Matter concerning Credit Events and it is publicly announced by ISDA that the Credit Derivatives Determination Committee has resolved withholding of making determination or deliberation of such Material Matters concerning Credit Events, JSCC, only when it determines that it can not base its determinations concerning such Material Matter concerning Credit Events on such Credit Derivatives Determination Committee's resolution given the status of the deliberations thereat or otherwise, that the Credit Derivatives Determination Committee or a secretary thereof is not in a position to make the determination or public announcement, shall make its decision on such Material Matter concerning Credit Events in accordance with the determination of the JSCC Determination Committee set forth in Article 86. Provided, however, if the Credit Derivatives Determination Committee passes any resolution after the determination of the JSCC Determination Committee on the same Material Matter concerning Credit Events, JSCC shall adopt the resolution of the Credit Derivatives Determination Committee as JSCC's decision regardless of the determination of the JSCC Determination Committee (except under the circumstances otherwise prescribed by JSCC).
- 4 When JSCC intends to make a determination pursuant to the provisions of the preceding Paragraph, JSCC shall consult with the JSCC Determination Committee.
- 5 JSCC shall immediately make a public announcement whenever it makes any decision on any Material Matter concerning Credit Events.

(Article 82 Settlement)

- 1 When a Credit Event Announcement is made which is applicable to any Clearing Contract, such Clearing Contract shall be settled in accordance with these Business Rules, etc. and the terms and conditions of such Clearing Contract.
- 2 In the case of the preceding Paragraph, method of payment or delivery/receipt upon settlement pursuant to the preceding Paragraph and other matters necessary to prescribe in connection with such settlement shall be prescribed by JSCC.

(Article 83 Credit Event Notice, etc.)

- 1 JSCC and Clearing Participants shall not have the right to give a Credit Event Notice related to Clearing Contract with respect to a Credit Event. Provided, however, notwithstanding the foregoing, the Credit Event Notice may be deemed to be given in accordance with terms and conditions of the Clearing Contract.
- 2 Notwithstanding the provisions of the preceding Paragraph, for 2003 Version Clearing Contracts, JSCC and a Clearing Participant shall have the right to give a Credit Event Notice

related to 2003 Version Clearing Contract with respect to a Credit Event that is Restructuring Credit Event.

- 3 When occurrence of an event constituting a Credit Event (limited only to Restructuring) is decided in respect of 2003 Version Clearing Contract and Reference Entity (or its Obligations) pursuant to the provisions of Article 81, JSCC shall give the Credit Event Notice to all Clearing Participants who are parties to the relevant Clearing Contracts (other than those related to the Credit Event Notice which has already been given by the Clearing Participant to JSCC).
- 4 A Credit Event Notice which is given by 4:00 p.m. of any JSCC Business Day shall take effect on such JSCC Business Day. A Credit Event Notice which is given after 4:00 p.m. of any JSCC Business Day shall take effect on the next JSCC Business Day.
- 5 Other than as set forth in the preceding Paragraph, the method of Credit Event Notice shall be prescribed by JSCC, and any Credit Event Notice given not in compliance with such method shall be null and void.

Section 2 Succession Date

(Article 84 Decision of Succession Date, etc.)

- 1 JSCC shall decide on the following matters related to Reference Entities of Clearing Contracts (hereinafter referred to as "Succession Date, etc."):
 - (1) Matters related to occurrence of a Succession Date under ISDA Credit Derivatives Definitions or a Succession Event under ISDA Credit Derivatives Definitions (2003 Version); and
 - (2) Matters related to Successors.
- 2 If there is a resolution of any Credit Derivatives Determination Committee in connection with any Succession Date, etc., JSCC shall determine such Succession Date, etc. pursuant to the preceding Paragraph in compliance with such resolution.
- 3 Notwithstanding the provisions of the preceding Paragraph, in the case where ISDA has been requested to convene a meeting of a Credit Derivatives Determination Committee in connection with any Succession Date, etc. and it is publicly announced by ISDA that the Credit Derivatives Determination Committee has resolved withholding of making determination or deliberation of such Succession Date, etc., JSCC, only when it determines that it can not base its determinations concerning such Succession Date, etc. on such Credit Derivatives Determination Committee's resolution given the status of the deliberations thereat, or otherwise, that the Credit Derivatives Determination Committee or a secretary thereof is not in a position to make the determination or public announcement, shall make its decision on such Succession Date, etc. in accordance with the determination of the JSCC Determination Committee set forth in Article 86. Provided, however, if the Credit Derivatives Determination Committee passes any resolution after the determination of the JSCC Determination Committee on the same Succession Date, etc., JSCC shall adopt the resolution

of the Credit Derivatives Determination Committee as JSCC's decision regardless of the determination of the JSCC Determination Committee (except under the circumstances otherwise prescribed by JSCC).

- 4 When JSCC intends to make a determination pursuant to the provisions of the preceding Paragraph, JSCC shall consult with the JSCC Determination Committee.
- 5 JSCC shall immediately make a public announcement whenever it makes any decision on occurrence of any Succession Date, etc.

(Article 85 Handling of Clearing Contract related to Reference Entity for which Succession Date or Succession Event Has Occurred)

In the case where a Succession Date or a Succession Event is decided to have occurred in respect of a Reference Entity pursuant to the provisions of the preceding Article, the Clearing Contracts related to such Reference Entity shall continue as Clearing Contracts related to the Successor thereof as a Reference Entity.

Section 3 JSCC Determination Committee

(Article 86 Powers and Authorities of JSCC Determination Committee)

- 1 JSCC shall establish the JSCC Determination Committee, which shall act as an advisory committee to JSCC responsible for making determinations in respect of Material Matters concerning Credit Events, Succession Date, etc. and other matters prescribed by JSCC in its Rules.
- 2 In addition to the provisions of the preceding Paragraph, the powers and authorities, composition, method of appointing committee members and method of operation of the JSCC Determination Committee and other necessary matters shall be prescribed by JSCC in its Rules.
- 3 When the JSCC Determination Committee makes a determination in respect of any matter which the JSCC Determination Committee has the authority to determine, JSCC shall decide on such matters in accordance with such resolution by the JSCC Determination Committee.
- 4 Any decision by JSCC pursuant to the provisions of the preceding Paragraph shall be binding upon JSCC and the Clearing Participant to the Clearing Contract concerned.

Chapter 9 Clearing Deposit

(Article 87 Clearing Deposit)

The CDS Clearing Fund, the Initial Margin, the Third Tier Special Clearing Charge Collateral and the Default Contingent Margin deposited with JSCC by Clearing Participants in order to secure each Clearing Participant's obligations to JSCC, etc. shall constitute "clearing deposit" prescribed in Article 156-11 of the Financial Instruments and Exchange Act.

(Article 88 Management of Clearing Deposit)

- 1 JSCC shall hold the entire amount of the clearing deposit set forth in the preceding Article by segregating it in the manner prescribed by JSCC on behalf of the Clearing Participants and Clearing Customers who deposited the clearing deposit.
- 2 JSCC may manage the clearing deposit in the manner prescribed by JSCC on behalf of the depositing Clearing Participants.
- 3 The profit or loss (including costs and fees) from JSCC's management of the clearing deposit shall vest in JSCC.
- 4 JSCC may, at its discretion, pay interest on the clearing deposit in the manner prescribed by JSCC if the profit arises from the management of the clearing deposit as set forth in the immediately preceding Paragraph.
- 5 If there arise any loss from the management of the clearing deposit as set forth in Paragraph 2, each Clearing Participant and Clearing Customer which has deposited with JSCC CDS Clearing Fund, Initial Margin or Default Contingent Margin in cash shall pay JSCC its share of such loss determined in a manner prescribed by JSCC.
6. CDS Clearing Fund, Initial Margin and Default Contingent Margin that have been deposited with JSCC by the Clearing Participants and Clearing Customers shall be applied to the payment due from the Clearing Participants and Clearing Customers under the immediately preceding Paragraph in a manner prescribed by JSCC.

(Article 89 Prohibition of Use of Clearing Deposit, etc. for Other Purposes)

JSCC may not utilise, transfer or withdraw nor dispose of the clearing deposit including transfer to a third party or creation of pledge or any other security interests for the benefit of a third party, except the management of the clearing deposit and the refund of the clearing deposit to a Clearing Participant or a Clearing Customer in accordance with these Business Rules, etc. (including payment of interest under Paragraph 4 of the immediately preceding Article to Clearing Participants).

Chapter 10 Measures in Case of Failure of Settlement by Clearing Participant

Section 1 Determination of Occurrence of Failure of Settlement and Default, etc.

(Article 90 Measures in Case of Occurrence of Failure of Settlement and Default, etc.)

- 1 In the case where JSCC determines a Failure of Settlement of a Clearing Participant to have occurred, JSCC shall suspend any new Assumption of Obligation under the Subject Transaction for Clearing to which such Clearing Participant (hereinafter referred to as "Failed Participant") is a party and suspend delivery of all or any of Money, etc. to the Failed Participant to such extent and during such period as are deemed necessary by JSCC.
- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC determines a Default, etc. of a Clearing Participant to have occurred, JSCC may suspend all new Assumption of Obligation under the Subject Transaction for Clearing to which such

Defaulting Clearing Participant is a party and suspend delivery of all or any of Money, etc. to the Defaulting Clearing Participant.

- 3 JSCC may appropriate the Money, etc. the delivery of which is suspended pursuant to the preceding two Paragraphs (in the case where such Money, etc. consists of securities, claims or any other assets excluding cash, after JSCC acquires or realises them in accordance with the method, time and price, etc. prescribed by JSCC) to fulfil the obligations of the Failed Participant or the Defaulting Clearing Participant owed to JSCC.

(Article 91 Notification of Suspension of Assumption of Obligation)

When JSCC imposes suspension of new Assumption of Obligation under the Subject Transaction for Clearing to which any Clearing Participant is a party pursuant to the provisions of Paragraph 1 or 2 of the preceding Article, JSCC shall immediately notify all Clearing Participants and make a public announcement to that effect (in the case where JSCC determines a Default, etc. of a Clearing Participant to have occurred pursuant to the provisions of Paragraph 2 of the said Article, to that effect and the date of such determination of occurrence of Default, etc.) .

Section 2 Compulsory Termination of Clearing Contracts entered into by Defaulting Clearing Participant, etc.

(Article 92 Compulsory Termination of Clearing Contracts)

- 1 All Clearing Contracts, when the Clearing Participant being a party thereto becomes a Defaulting Clearing Participant (hereinafter referred to as “Clearing Contracts of Defaulting Clearing Participant”), shall be terminated automatically without any other manifestation of intention by JSCC or the Defaulting Clearing Participant on the Default Determination Date.
- 2 The amount of the Early Termination Fee which becomes payable due to termination of Clearing Contracts by Defaulting Clearing Participant pursuant to the provisions of the preceding Paragraph shall be the amount equal to the costs and losses which JSCC may incur for the reestablishment of its position due to the termination of such Clearing Contracts by Defaulting Clearing Participant, as calculated in the manner prescribed by JSCC in its Rules.
- 3 JSCC shall notify the relevant Defaulting Clearing Participant of the amount of the Early Termination Fee calculated pursuant to the provisions of the preceding Paragraph.
- 4 When the Defaulting Clearing Participant receives the notice of the amount of the Early Termination Fee payable to JSCC pursuant to the provisions of the preceding Paragraph, the Defaulting Clearing Participant shall immediately pay such Early Termination Fee to JSCC .

(Article 93 Default Management Committee)

- 1 JSCC shall establish the Default Management Committee for the purpose of obtaining advice concerning the measures to be taken for hedging losses and the execution of Auctions for Default Settlement and other matters prescribed by JSCC in its Rules (hereinafter referred to as “Matters for Consultation” in the following Paragraph).

- 2 JSCC shall consult with the Default Management Committee about Matters for Consultation, and shall respect the advice of the Default Management Committee thereon.
- 3 JSCC shall appoint these Clearing Participants designated in the manner prescribed by JSCC in its Rules as committee members of the Default Management Committee. In such case, JSCC shall impose duty of confidentiality upon such committee member.
- 4 In addition to the matters prescribed in each of the preceding Paragraphs, the powers and authorities, composition, the term of office of each committee member and method of operation of the Default Management Committee and other necessary matters shall be prescribed by JSCC in its Rules.

(Article 94 Measures for Hedging of Losses)

- 1 When JSCC deems it necessary to do so taking into account such factors as the composition and size of the Clearing Contracts of Defaulting Clearing Participant, condition of the market of CDS Transactions and other events, JSCC may execute CDS Transactions based on the advice of the Default Management Committee in accordance with the relevant Rules of JSCC, for the purpose of hedging the risk of all or any of losses that may be suffered by JSCC as a result of termination of the Clearing Contracts of Defaulting Clearing Participant before reconstructing JSCC's position (hereinafter referred to as "Hedge Transaction").
- 2 For the purpose of application of these Business Rules, etc., Hedge Transactions shall be deemed Clearing Contracts, in which case the matters necessary to be prescribed shall be prescribed by JSCC from time to time.

(Article 95 Succession to Clearing Contract (Customer Account), etc.)

- 1 When a Clearing Contract (Customer Account) executed on a Clearing Customer's account is terminated pursuant to the provisions of Article 92, such Clearing Customer (limited to those in respect of which no event of default set forth in the Clearing Brokerage Agreement has occurred; the same shall apply in this Article) may cause a Clearing Participant (limited only to a Clearing Participant who has entered into a Clearing Brokerage Agreement with such Clearing Customer; hereinafter referred to as "Successor Clearing Participant") other than the Defaulting Clearing Participant concerned to succeed to the claims and obligations corresponding to such Clearing Contract (Customer Account) as listed below collectively, by submitting a form of application for such succession to JSCC through the Successor Clearing Participant (for the purpose hereof, "succeed" means to cause such claims and obligations to arise *de novo* amongst JSCC, the Successor Clearing Participant and the Clearing Customer and to make payments and receipts of cash corresponding thereto and to settle the claims and obligations in accordance with the provisions of this Article; the same shall apply hereinafter) only during the period prescribed by JSCC in its Rules:
 - (1) Such claims and obligations whose terms and conditions as prescribed by JSCC in its Rules are identical to those of the claims and obligations under the Clearing Contracts (Customer Account) between the Defaulting Clearing Participant and JSCC (and which are in effect immediately before the termination of such Clearing Contracts (Customer Account) pursuant to the provisions of Article 92); and

- (2) Such claims and obligations whose terms and conditions as prescribed by JSCC in its Rules are identical to those of the claims and obligations under the Clearing Brokerage Contract between the Defaulting Clearing Participant and the Clearing Customer (and which are in effect immediately before the termination of the Clearing Contracts (Customer Account) pursuant to the provisions of Article 92).
- 2 When a Clearing Customer makes application for succession to the claims and obligations prescribed in the preceding Paragraph to JSCC pursuant to the provisions of the said Paragraph, such Clearing Customer shall offer such succession to the Successor Clearing Participant and shall obtain its acceptance in advance.
- 3 When the Successor Clearing Participant accepts the succession set forth in the preceding Paragraph and accepts delivery of the application form therefor from the Clearing Customer, it shall file such application form with JSCC (which shall state, among other things, that the Successor Clearing Participant has received the offer for the succession and it has accepted such offer; that the Clearing Customer is making the application for the succession to JSCC; and that the Successor Clearing Participant is making the application for the succession to JSCC) within the period set forth in Paragraph 1.
- 4 When JSCC approves the application for succession pursuant to the provisions of Paragraph 1 and the preceding Paragraph, the Clearing Contracts (Customer Account) which have been terminated pursuant to the provisions of Article 92 (hereinafter referred to as “Relevant Clearing Contract(s) (Customer Account)” in this Paragraph) shall be settled and succession thereof shall occur in accordance with the following provisions:
 - (1) The claims and obligations prescribed in each Item of Paragraph 1 shall arise *de novo* among JSCC, the Successor Clearing Participant and the Clearing Customer in respect of which the succession has been approved by JSCC, on the date of such approval by JSCC (hereinafter referred to as “Succession Date”);
 - (2) The claims and obligations which arise pursuant to the preceding Item shall be deemed as the claims and obligations related to the Clearing Contracts (Customer Account) that would have been executed by the Successor Clearing Participant on the account of the Clearing Customer in respect of which the succession has been approved by JSCC, so as to take effect upon the time of termination of the Relevant Clearing Contracts (Customer Account) and the Clearing Brokerage Contract therefor based on the entrustment of Brokerage for Clearing of Securities, etc. by such Clearing Customer to such Successor Clearing Participant;
 - (3) When the claims and obligations arise pursuant to the provisions of Item 1, JSCC, the Successor Clearing Participant and the Clearing Customer in respect of which the succession has been approved by JSCC shall pay and/or receive the amount due at the time of the succession, any unpaid Fixed Amount (excluding the Fixed Amount which has become already due between JSCC and the Defaulting Clearing Participant when the Default, etc. of the Defaulting Clearing Participant is determined to have occurred) and the Variation Margin in the manner prescribed by JSCC in its Rules;
 - (4) The Initial Margin to which the Clearing Customer in respect of which the succession has been approved by JSCC has the right to claim return pursuant to the provisions of

Article 72 shall be deemed as Initial Margin that has been deposited with JSCC by such Clearing Customer through the Successor Clearing Participant acting as its agent;

- (5) The claims and obligations related to the Clearing Brokerage Contract between a Defaulting Clearing Participant and the Clearing Customer in respect of which the succession has been approved by JSCC as well as the claims and obligations related to Variation Margin paid and received between them for such Clearing Brokerage Contract (excluding the obligations of the Defaulting Clearing Participant in connection with the Clearing Contracts which have become already due when the Default, etc. of such Defaulting Clearing Participant is determined to have occurred) and the claims and obligations related to the Customer Initial Margin (limited only to the part thereof that is deemed deposited with JSCC by the Clearing Customer through the Successor Clearing Participant acting as its agent pursuant to the preceding Item) shall be prospectively extinguished; and
- (6) Notwithstanding the provisions of Paragraph 2 of Article 92, the Early Termination Fee payable for the Relevant Clearing Contracts (Customer Account) shall be calculated by reference to the last clearing price quoted before the termination thereof as prescribed by JSCC in its Rules.

- 5 The provisions of these Business Rules, etc. shall be applied to the claims and obligations which arise between JSCC and each Successor Clearing Participant pursuant to the provisions of the preceding Paragraph as if such claims and obligations arose under the Clearing Contracts (Customer Account).
- 6 In addition to the provisions of each of the preceding Paragraphs, matters necessary to prescribe in connection with the succession shall be prescribed by JSCC in its Rules.

(Article 96 Auction for Default Settlement)

- 1 When JSCC determines the Default, etc. of a Clearing Participant to have occurred, in order to reconstruct the positions of JSCC as a consequence of termination of the Clearing Contracts of Defaulting Clearing Participant in respect of such Clearing Participant, JSCC may hold an auction (hereinafter referred to as "Auction for Default Settlement") to execute CDS Transactions at one time for the purpose of eliminating possible losses to JSCC due to the termination of such Clearing Contracts of Defaulting Clearing Participant (excluding the Clearing Contracts (Customer Account) succeeded to by the Successor Clearing Participant pursuant to the provisions of the preceding Article) and the Hedge Transaction.
- 2 Before holding an Auction for Default Settlement, JSCC shall determine and advise Clearing Participants of the issues and volumes of the CDS Transactions which are the subjects thereof (hereinafter referred to as "Subject Transaction for Auction(s)") and other terms and conditions of the Auction for Default Settlement in the manner prescribed by JSCC in its Rules.
- 3 A Clearing Participant shall be obligated to participate in Auctions for Default Settlement in the manner prescribed by JSCC in its Rules.

- 4 In addition to the provisions of the preceding three Paragraphs, procedures for, method of operation of and other necessary matters related to Auctions for Default Settlement shall be prescribed by JSCC in its Rules.

(Article 97 Mutual Discussion in case of Possible Deficiency in Loss Recovery)

- 1 In the case where an Auction for Default Settlement has been held and there is a possibility that the losses arising out of the Default, etc. of the Defaulting Clearing Participant (meaning the losses incurred by JSCC on the claims which JSCC has against the Defaulting Clearing Participant pursuant to the provisions of Paragraph 2 of Article 102) as a result of the execution of the Subject Transactions for Auction may not be recovered in the manner prescribed from Article 104 to Article 106, JSCC and the Clearing Participants shall discuss settlement of such losses in the manner prescribed by JSCC in its Rules.
- 2 When, as a result of the mutual discussion pursuant to the provisions of the preceding Paragraph, an agreement is reached among JSCC and all Clearing Participants (excluding the Defaulting Clearing Participant) concerning settlement of the losses in the said Paragraph in the manner prescribed by JSCC in its Rules, JSCC shall settle such losses in accordance with such agreement, provided that the settlement shall enable it to recover such losses in full and shall secure uninterrupted operation of the CDS Clearing Business by JSCC.

(Article 98 Compulsory Termination of Clearing Contracts due to Failure of Mutual Discussion)

- 1 In the case where the mutual discussion is held among JSCC and the Clearing Participants pursuant to Paragraph 1 of the preceding Article but they fail to reach the agreement referred to in Paragraph 2 of the said Article within the period prescribed by JSCC in its Rules, any and all Clearing Contracts which remain in force on the day when such period expires shall be terminated compulsorily and automatically at the expiration of such period without any particular manifestation of intention from either JSCC or the Clearing Participant.
- 2 JSCC shall prescribe in its Rules the amount of Early Termination Fee which becomes payable and other matters necessary to prescribe in connection with the termination of Clearing Contracts under the preceding Paragraph.

(Article 99 Notification, etc. in relation to Mutual Discussion)

When the agreement set forth in Paragraph 2 of Article 97 is reached, or all Clearing Contracts are terminated pursuant to the provisions of Paragraph 1 of the preceding Article, JSCC shall immediately notify all Clearing Participants thereof and make a public announcement to that effect.

(Article 100 Execution, etc. of Subject Transactions for Auction)

- 1 When a Clearing Participant makes a successful bid on all or any of Subject Transactions for Auction in an Auction for Default Settlement, such Subject Transactions for Auction shall be executed between JSCC and such Clearing Participant in accordance with the manner prescribed by JSCC in its Rules.
- 2 JSCC and the Clearing Participant referred to in the preceding Paragraph shall, when the Subject Transactions for Auction are executed pursuant to the provisions of the preceding

Paragraph, pay and/or receive the cash and Variation Margin prescribed by JSCC in its Rules in the manner prescribed by JSCC in its Rules.

- 3 The provisions of these Business Rules, etc. shall apply to the Subject Transactions for Auction that are executed pursuant to the provisions of Paragraph 1 as if they were Clearing Contracts.
- 4 In addition to the provisions of the preceding two Paragraphs, procedures to be taken when a Subject Transaction for Auction is executed shall be prescribed by JSCC in its Rules.

Section 3 Netting and Appropriation of Collateral, etc. in respect of Obligation of Defaulting Clearing Participant

(Article 101 Sharing of Obligation in relation to Default Settlement)

A Defaulting Clearing Participant shall be obligated to pay an Early Termination Fee which becomes payable due to termination of the Clearing Contracts of Defaulting Clearing Participant. In addition, if JSCC incurred losses or expenses or obligations related to the execution of Auction for Default Settlement and the execution of the Subject Transactions for Auction pursuant to the provisions of Article 96 and the preceding Article and other settlements of the Clearing Contracts of Defaulting Clearing Participant, such Defaulting Clearing Participant shall indemnify JSCC such losses, expenses or obligations in cash.

(Article 102 Method for Settlement of Clearing Contracts of Defaulting Clearing Participant, etc.)

- 1 Notwithstanding anything stated herein to the contrary, in respect of the obligations which a Defaulting Clearing Participant owes to JSCC in connection with termination of the Clearing Contracts of Defaulting Clearing Participant set forth in Item 1 below (hereinafter referred to as “Unsettled Obligations”), the net-settlement thereof and the appropriation of collateral thereto shall be made pursuant to the provisions of Item 2 of this Paragraph, on the day on which all the amounts of Unsettled Obligations, obligations of JSCC to be netted out against such Unsettled Obligations and the collateral to be appropriated to the payment of such Unsettled Obligations are fixed conclusively:

(1) Unsettled Obligations, which consist of the following:

- a. Payment obligation for the Early Termination Fee which the Defaulting Clearing Participant owes to JSCC as a result of termination of the Clearing Contracts of Defaulting Clearing Participant;
- b. Obligation to return Variation Margin already deposited by JSCC with the Defaulting Clearing Participant for the Clearing Contracts of Defaulting Clearing Participant and the payment obligation for the accrued interest on such Variation Margin;
- c. Any unsettled obligation of the Defaulting Clearing Participant in relation to any Clearing Contract that has already become due at the time when the Default, etc. of such Defaulting Clearing Participant is determined to have occurred; and
- d. Payment obligation owed by the Defaulting Clearing Participant pursuant to

the provisions of the preceding Article.

- (2) Method of netting and appropriation of collateral shall be as follows:
- a. The amount of the Early Termination Fee payable by JSCC shall be deducted from the total amount of the Unsettled Obligations set forth in the preceding Item (hereinafter referred to as “Payment Amount of Defaulting Clearing Participant”), by netting the amount of JSCC’s obligation to pay the Early Termination Fee arising from termination of the Clearing Contracts of Defaulting Clearing Participant against the Unsettled Obligation;
 - b. The Variation Margin already deposited with JSCC by the Defaulting Clearing Participant for the Clearing Contracts of Defaulting Clearing Participant shall be appropriated to the payment of the Unsettled Obligations, and the appropriated amount shall be deducted from the remaining balance after the deduction set forth in Sub-item a. above;
 - c. The Money, etc. (where such Money, etc. consists of securities, claims or other non-cash asset, the amount equal to the value at which JSCC acquired or realised the same less the cost of the acquisition or realisation) of which delivery to the Defaulting Clearing Participant has been suspended pursuant to the provisions of Paragraph 2 of Article 90 shall be appropriated to the payment of the Unsettled Obligations, and the appropriated amount shall be deducted from the remaining balance after the deduction set forth in Sub-item b. above;
 - d. The Initial Margin (excluding any part of such Initial Margin of which the Clearing Customer has the right to claim return pursuant to the provisions of Article 72) deposited for the Clearing Contracts of Defaulting Clearing Participant (in the case where Substitute Securities have been deposited as the Initial Margin, the amount of proceeds from the realisation thereof less the cost of the realisation) shall be appropriated to the payment of the Unsettled Obligations and the such appropriated amount shall be deducted from the remaining balance after the deduction set forth in Sub-item c. above;
 - e. The CDS Clearing Fund and the Default Contingent Margin (in the case where Substitute Securities have been deposited as the CDS Clearing Fund or the Default Contingent Margin, the amount of proceeds from the realisation thereof less the cost of such realisation) deposited by the Defaulting Clearing Participant shall be appropriated to the payment of the Unsettled Obligations and the appropriated amount shall be deducted from the remaining balance after the deduction set forth in Sub-item d. above;; and
 - f. The excess collateral deposited by the Defaulting Clearing Participant for the purpose of any Other Clearing Business shall be appropriated to the payment of the Unsettled Obligations and the appropriated amount shall be deducted from the remaining balance after the deduction set forth in Sub-item e. above (as used herein, “excess collateral” means a margin, a clearing fund and any other collateral deposited by the Defaulting Clearing Participant with JSCC in respect of the Other Clearing Business (limited only to those of which the Defaulting Clearing Participant has the right to claim return) that remains

after appropriation to the payment of the Defaulting Clearing Participant's obligations in accordance with the business rules of the Other Clearing Business (in the case where the excess collateral consists of securities, meaning the amount of proceeds from the realisation thereof less the cost of the realisation). .

- 2 When there still remains any Payment Amount of Defaulting Clearing Participant outstanding after the netting and appropriation of collateral set forth in the preceding Paragraph, such outstanding Payment Amount of Defaulting Clearing Participant shall constitute one single claim of JSCC to the Defaulting Clearing Participant arising from termination of all Clearing Contracts of Defaulting Clearing Participant notwithstanding the other provisions of these Business Rules.

Section 4 Sharing of Losses by Other Clearing Participant

(Article 103 Calculation of Losses Resulting from Default Settlement)

- 1 On the date prescribed by JSCC in its Rules (hereinafter referred to as "Initial Loss-Determination Date"), JSCC shall determine whether or not any claim of JSCC to a Defaulting Clearing Participant will arise pursuant to the provisions of Paragraph 2 of the preceding Article as a result of the netting and appropriation of collateral pursuant to the provisions of Paragraph 1 of the said Article, and if there is any such claim, calculate the amount thereof.
- 2 In the case of the preceding Paragraph, if there is any claim or obligation or collateral of which the amount is yet to be determined, JSCC shall carry out the calculation set forth in the said Paragraph by reference to the amount tentatively set by JSCC as an estimated amount of such claim or obligation or collateral.

(Article 104 Recovery of Losses with CDS Settlement Guarantee Reserve, etc.)

- 1 In the case where there may arise any claim of JSCC to a Defaulting Clearing Participant as a result of the calculation under the preceding Article, JSCC shall, on the Initial Loss-Determination Date, recover the loss of JSCC (excluding those prescribed by JSCC in its Rules) corresponding to the amount of such claim and any other losses (limited to those losses prescribed by JSCC in its Rules) incurred by JSCC in connection with the settlement of default of such Defaulting Clearing Participant (meaning the execution of an Auction for Default Settlement in connection with the Default, etc. of such Defaulting Clearing Participant and any other necessary procedures; the same shall apply hereinafter) prior to the Initial Loss-Determination Date (such losses hereinafter referred to as "Loss Resulting from Default Settlement"), in the order and in the manner set forth in each of the following Items:
 - (1) Application of the First Tier CDS Settlement Guarantee Reserve; and
 - (2) Application of the CDS Clearing Fund deposited by each Clearing Participant other than such Defaulting Clearing Participant with JSCC (provided that the amount so applied shall not exceed the Second Tier Clearing Participant Bearing Limit of each such Clearing Participant (excluding the amount applied for recovery from the CDS Clearing Fund deposited with JSCC by each such Clearing Participant pursuant to this

Article in respect of any other Default, etc. determined in the same Default Settlement Period, if any; the same shall apply in this Article); the same shall apply in the following paragraph) and the Second Tier CDS Settlement Guarantee Reserve.

2 Whenever all of residual Losses Resulting from Default Settlement after the recovery thereof in accordance with the method set forth in Item 1 of the preceding Paragraph are satisfied in full by the method set forth in Item 2 of the said Paragraph, the amount to be applied by each Clearing Participant other than the Defaulting Clearing Participant out of the CDS Clearing Fund and the Second Tier CDS Settlement Guarantee Reserve deposited with JSCC shall be as prescribed below:

- (1) The Losses Resulting from Default Settlement after the recovery thereof in accordance with the method set forth in Item 1 of the preceding Paragraph, the CDS Clearing Fund deposited with JSCC by each Clearing Participant other than the Defaulting Clearing Participant, the Second Tier Clearing Participant Bearing Limit and the Second Tier CDS Settlement Guarantee Reserve shall be prorated for each Default Auction in accordance with the amount obtained by subtracting b. from a. (hereinafter referred to as “Prorated Amount of Loss Resulting from Default Settlement,” “Allocated Amount of the CDS Clearing Fund,” “Allocated Amount of the Second Tier Clearing Participant Bearing Limit” and “Allocated Amount of the Second Tier CDS Settlement Guarantee Reserve,” respectively):
 - a. The total sum of the Successful Bid Amounts for each default auction; and
 - b. The amount obtained by subtracting the amount of Variation Margin received by JSCC from the defaulting Clearing Participant from the amount of Variation Margin deposited by JSCC with the defaulting Clearing Participant in respect of the Subject Transactions for each Default Auction on the Default Determination Date.
- (2) The total sum of the amounts to be applied for each Default Auction from the Allocated Amount of CDS Clearing Fund deposited with JSCC by each Clearing Participant other than the Defaulting Clearing Participant (hereinafter referred to as the “Total Amount of the Allocated Second Tier Amounts Borne by Clearing Participants” in this Paragraph) and the sum applied from the Allocated Amount of the Second Tier CDS Settlement Guarantee Reserve shall be the Prorated Amount of such Loss Resulting from Default Settlement relevant to the Default Auction prorated in accordance with the total sum of the Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Clearing Participant other than the Defaulting Clearing Participant relevant to the Default Auction and the Allocated Amount of the Second Tier CDS Settlement Guarantee Reserve.
- (3) The total sum of the amounts to be applied from the Allocated Amount of the CDS Clearing Fund of a Clearing Participant who has submitted a notification, as prescribed by JSCC, to the effect that it has difficulty participating in any of the Auctions for Default Settlement (hereinafter referred to as “Exempted Clearing Participant” in this Paragraph) due to unavoidable circumstances (excluding any deficiency in its internal control structure of the Clearing Participant or any other

reasons attributable to such Clearing Participant) (hereinafter referred to as “Total Allocated Amount Borne by Exempted Clearing Participants” in this Paragraph) and the total sum of the amounts to be applied from the Allocated Amount of the CDS Clearing Fund of each Clearing Participant (other than the Defaulting Clearing Participant and the Exempted Clearing Participants) (hereinafter referred to as “Total Allocated Amount Borne by Non-exempted Clearing Participants” in this Paragraph) shall be the Total Amount of the Allocated Second Tier Amounts Borne by Clearing Participants relevant to the Default Auction prorated in accordance with the total sum of the Allocated Amount of the Second Tier Clearing Participant Bearing limit of each Exempted Clearing Participant relevant to the Default Auction and the total sum of the Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Clearing Participant (other than the Defaulting Clearing Participant and the Exempted Clearing Participants).

- (4) The amount to be applied for each Default Auction from the Allocated Amount of the CDS Clearing Fund of each Exempted Clearing Participant shall be the amount of the Total Allocated Amount Borne by Exempted Clearing Participant relevant to the Auction Default prorated in accordance with the Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Exempted Clearing Participant relevant to the Default Auction.
- (5) The amount to be applied for each Default Auction from the Allocated Amount of the CDS Clearing Fund of each Clearing Participant (other than the Defaulting Clearing Participant and the Exempted Clearing Participant) shall be the amounts set forth in a. through c. below in accordance with the order of the Allocated Amounts of the CDS Clearing Funds set forth in a. through c. below.
 - a. The Allocated Amount of the CDS Clearing Fund of a Clearing Participant who has not participated in any of the Auction for Default Settlement (excluding the Exempted Clearing Participants but including the Clearing Participant who has not made bids at not less than a Notional Amount Requirement; hereinafter referred to as “Subject Clearing Participant” in this a.)
The Total Allocated Amount Borne by Non-exempted Clearing Participants prorated in accordance with the Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Subject Clearing Participant (if the Total Allocated Amount Borne by the relevant Non-exempted Clearing Participant is not less than the total sum of the Allocated Amount of the Second Tier Clearing Participant Bearing Limits of the Subject Clearing Participants, such Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Subject Clearing Participant)
 - b. The Allocated Amount of the CDS Clearing Fund of a Clearing Participant who made bids (limited to each bid placed by each Clearing Participant until when the sum of the Notional Amount corresponding thereto, which shall be calculated in the order of the lowest bid price, reaches the Notional Amount

Requirement) at a price prescribed by JSCC in its Rules as a price extremely deviated from the prevailing market for any of the Auction for Default Settlement in respect of such Defaulting Clearing Participant (hereinafter referred to as “Subject Clearing Participant” in this b.)

The residual amount of the Total Allocated Amount Borne by Non-exempted Clearing Participants deducted by the total amount to be applied set forth in a. above prorated in accordance with the Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Subject Clearing Participant (if such residual amount is not less than the total sum of the Allocated Amounts of the Second Tier Clearing Participant Bearing Limits of the Subject Clearing Participants, such Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each Subject Clearing Participant)

- c. The Allocated Amount of the CDS Clearing Fund of each such Clearing Participant (other than Exempted Clearing Participant and the Clearing Participants set forth in a. and b. above) in respect of the relevant Default Auction.

The amount calculated by JSCC in the manner prescribed in its Rules (if the residual amount of the Total Allocated Amount Borne by Non-exempted Clearing Participants deducted by the total sum of the amounts to be applied in a. and b. above is not less than the total sum of the Allocated Amount of the Second Tier Clearing Participant Bearing Limit of each such Clearing Participant, such Allocated Amount of the Second Tier Clearing Participant Bearing Limit)

- 3 Each Clearing Participant (excluding the Defaulting Clearing Participant; the same shall apply in this paragraph) shall be obliged to pay to JSCC the total amount to be applied from the Allocated Amount of the CDS Clearing Fund pursuant to the preceding paragraph and the application of the CDS Clearing Fund pursuant to the preceding two paragraphs shall be automatically made on the Initial Loss-Determination Date without separate indication of intention of JSCC and each Clearing Participant by offsetting the claim held by JSCC corresponding to such obligations and the right to claim a return of CDS Clearing Fund held by each Clearing Participant who owes such obligations in the amount equivalent to such obligations.
- 4 The Allocated Amount of the CDS Clearing Fund of a Clearing Participant that is a Specified Successor Financial Institution will be used as the Allocated Amount of the CDS Clearing Fund falling under Item (5), c. of Paragraph 2 according to the order as set forth in Item (5), c. of Paragraph 2.

(Article 104-2 Special Provisions for CDS Clearing Fund in Default Settlement Period)

- 1 Notwithstanding the provisions of the Rules of JSCC pursuant to Paragraph 2 of Article 17 hereof, the Required CDS Clearing Fund Amount of each Clearing Participant during the Default Settlement Period shall be the Required CDS Clearing Fund Amount of each such Clearing Participant on the JSCC Business Day immediately preceding the date on which such Default Settlement Period commences.

- 2 In the case where the CDS Clearing Fund is applied in whole or in part during the Default Settlement Period pursuant to Item 2, Paragraph 1 of the preceding Article, notwithstanding the provisions of Paragraph 2 of Article 17 hereof, a Clearing Participant shall not be obliged to make additional deposit of CDS Clearing Fund in the amount equivalent to such application.
- 3 Notwithstanding the provisions of Paragraph 1 above, the Required CDS Clearing Fund Amount of each Clearing Participant on the last day of the Default Settlement Period shall be the Required CDS Clearing Fund Amount of each such Clearing Participant calculated on the last day of such Default Settlement Period, which shall apply through the day immediately preceding the day on which the Required CDS Clearing Fund Amount is newly calculated pursuant to the Rules of JSCC pursuant to Paragraph 2 of Article 17 hereof. In this case, if the amount of CDS Clearing Fund and the Default Contingent Margin deposited by each Clearing Participant with JSCC on the last day of the Default Settlement Period falls short of the Required CDS Clearing Fund Amount on the last day of the Default Settlement Period calculated pursuant to the provisions of Paragraph 1 above, each such Clearing Participant shall deposit with JSCC an amount at least equal to such shortfall by 2:00 p.m. on the JSCC Business Day immediately following the last day of the Default Settlement Period.

(Article 105 Recovery of Losses with Third Tier Special Clearing Charge)

- 1 If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in Article 104, all Clearing Participants other than the Defaulting Clearing Participant existing on the Default Determination Date (hereinafter referred to as “Participants Bearing Third Tier Special Clearing Charge” in this Article) shall assume the obligation to pay the Third Tier Special Clearing Charge to JSCC in the manner prescribed by JSCC in its Rules. In such case, JSCC shall apply such Third Tier Special Clearing Charges paid by those Participants Bearing Third Tier Special Clearing Charge to recover the outstanding Loss Resulting from Default Settlement.
- 2 The amount of the Third Tier Special Clearing Charge set forth in Paragraph 1 shall be fixed in accordance with the relevant Rules of JSCC in respect of each Participant Bearing Third Tier Special Clearing Charge, provided that such amount shall not exceed the Required CDS Clearing Fund Amount of each such Participant Bearing Third Tier Special Clearing Charge on the JSCC Business Day immediately preceding the start date of the Default Settlement Period in which the Default Determination Date falls.

(Article 106 Recovery of Losses with Fourth Tier Special Clearing Charge)

- 1 In the case of the preceding Article, if the Loss Resulting from Default Settlement is not fully recovered in the manner set forth therein, each Clearing Participant other than the Defaulting Clearing Participant existing on the Default Determination Date shall pay the Fourth Tier Special Clearing Charge (defined herein-below) to JSCC in the manner prescribed by JSCC in its Rules, if such Clearing Participant’s total amount of the Variation Margin, etc. in respect of all Clearing Contracts that have existed from the Default Determination Date through the Initial Loss-Determination Date (including the Clearing Contracts that have been executed after the Default Determination Date and the Clearing Contracts that have been terminated

before the Initial Loss-Determination Date; the same shall apply hereinafter) to be received by such Clearing Participant exceeds the total amount of the Variation Margin, etc. in respect of the said all Clearing Contracts to be paid by such Clearing Participant (such Clearing Participant hereinafter referred to in the Article as “Participants Bearing Fourth Tier Special Clearing Charge”) . In such case, JSCC shall apply such Fourth Tier Special Clearing Charges paid by the Participants Bearing Fourth Tier Special Clearing Charge to recover the outstanding Loss Resulting from Default Settlement.

- 2 The amount of “Fourth Tier Special Clearing Charge” set forth in the preceding Paragraph shall be the amount prescribed by JSCC in its Rules in respect of each Participant Bearing Fourth Tier Special Clearing Charge. Provided, however, such amount shall not exceed the amount of losses incurred in relation to the Clearing Contracts of Defaulting Clearing Participant, etc. being prorated to each such Participant Bearing Fourth Tier Special Clearing Charge by the amount of its gain in relation to such Clearing Contracts of Defaulting Clearing Participant, etc. For the purpose hereof, “losses incurred in relation to the Clearing Contracts of Defaulting Clearing Participant, etc.” shall be the positive (and shall only be a positive and not negative) value of the sum total of the values obtained by deducting the aggregate amount of Variation Margin, etc. due from the Clearing Participant to JSCC from the aggregate amount of Variation Margin, etc. in respect of the Clearing Contract of Defaulting Clearing Participant which JSCC is unable to receive from the Defaulting Clearing Participant and the aggregate amount of Variation Margin, etc. due from JSCC to the Clearing Participant in respect of the Hedge Transactions which are deemed as Clearing Contracts under Paragraph 2 of Article 94, such value being obtained as of each JSCC Business Day which falls between the Default Determination Date (or, where the Clearing Contracts of Defaulting Clearing Participant entered into between JSCC and the Defaulting Clearing Participant have been fully settled on the Default Determination Date, the following JSCC Business Day thereof; the same shall apply hereinafter in this Paragraph) and the Initial Loss-Determination Date, and provided further, “its gain in relation to such Clearing Contracts of Defaulting Clearing Participant, etc.” shall be the positive (and shall only be a positive and not negative) value obtained by deducting the aggregate amount of Variation Margin, etc. due to such Participant Bearing Fourth Tier Special Clearing Charge by the aggregate amount of Variation Margin, etc. payable by it in respect of all Clearing Contracts to which such Participant Bearing Fourth Tier Special Clearing Charge is a party, such value being obtained between the Default Determination Date and the Initial Loss-Determination Date.

(Article 107 Deposit of Special Clearing Charge Collateral)

- 1 Each Clearing Participant shall deposit the following Special Clearing Charge Collateral with JSCC in the manner prescribed by JSCC in its Rules, for the purpose of securing the obligation corresponding thereto as set forth below (hereinafter referred to as “Secured Obligations” in Paragraph 3 of this Article):
 - (1) Third Tier Special Clearing Charge Collateral: shall be applied to secure payment obligation for the Third Tier Special Clearing Charge; and
 - (2) Fourth Tier Special Clearing Charge Collateral: shall be applied to secure payment obligation for the Fourth Tier Special Clearing Charge.

- 2 No interest shall accrue on Special Clearing Charge Collaterals
- 3 JSCC may apply Special Clearing Charge Collateral to satisfy the Secured Obligations in the manner prescribed by these Business Rules, etc.
- 4 Deposit of Special Clearing Charge Collateral shall be deemed to be deposit for consumption (*shohi kitaku*) without compensation for collateral purpose.
- 5 Notwithstanding the provisions of the Civil Code and the Commercial Code, a Clearing Participant shall have the right to claim return of Special Clearing Charge Collaterals and any other claim only in the cases prescribed in these Business Rules, etc.

(Article 107-2 Deposit of Default Contingent Margin)

- 1 A Clearing Participant (excluding the Defaulting Clearing Participant; the same shall apply in this Article) shall deposit Default Contingent Margin with JSCC for the purpose of securing the obligations borne by such Clearing Participant against JSCC in connection with Clearing Contracts (including the obligations which arise along with the termination of such Clearing Contracts).
- 2 JSCC, with whom Default Contingent Margin is deposited, may apply the Default Contingent Margin to repayment of the Secured Obligations (in the case of the Default Contingent Margin in the form of Substitute Securities, the residual amount of cash proceeds from such securities deducted by the cost required for the realisation thereof; the same shall apply in this Paragraph) or offset the right to claim a return of Default Contingent Margin with the claims in respect of the Secured Obligations as provided for in these Business Rules, etc.
- 3 Required Amount of Margin on Deposit of a Clearing Participant shall be prescribed by JSCC in the Rules.
- 4 JSCC shall notify the calculated Required Amount of Default Contingent Margin of a Clearing Participant as provided for by JSCC in its Rules.
- 5 When the sum of the monies and the substitute prices of Substitute Securities deposited as Default Contingent Margin with JSCC falls short of the Required Amount of Default Contingent Margin to be deposited with JSCC, a Clearing Participant shall deposit with JSCC the deficient amount by 11:00 a.m. of the JSCC Business Day immediately following the day on which such shortfall arises.
- 6 In the case where there exists Default Contingent Margin actually deposited with JSCC by a Clearing Participant at the end of a Default Settlement Period, the entire amount of such Default Contingent Margin shall be deemed to be returned to such Clearing Participant at such time and the CDS Clearing Fund in the amount equivalent to such Default Contingent Margin shall be deemed to be deposited with JSCC by such Clearing Participant.
- 7 The provisions of Paragraph 3 of Article 61, Article 62 and Article 67 shall be applied *mutatis*

mutandis to Default Contingent Margin.

Article 108 Deleted

(Article 109 Failure to Deposit Special Clearing Charge Collateral)

If a Clearing Participant fails to deposit the Special Clearing Charge Collateral pursuant to the provisions of Paragraph 1 of Article 107, the provisions in this Chapter shall apply as if occurrence of Default, etc. of such Clearing Participant had been determined.

(Article 110 Adjustment upon Determination of Final Loss)

In the case where the amount of JSCC's claim to a Defaulting Clearing Participant has been determined pursuant to the provisions of Paragraph 2 of Article 102 and such amount of claim is in excess of the amount of Loss Resulting from Default Settlement in respect of such Defaulting Clearing Participant, JSCC shall recover for the loss of JSCC corresponding to the amount of the excess in the order and in the manner set forth in each of the following Items, on the day on which the amount of such claim is determined:

- (1) Application of the First Tier CDS Settlement Guarantee Reserve;
- (2) Application of the CDS Clearing Fund deposited by each Clearing Participant other than such Defaulting Clearing Participant with JSCC (provided that the amount so applied shall not exceed the Required CDS Clearing Fund Amount of each such Clearing Participant as of the JSCC Business Day immediately preceding the first day of the Default Settlement Period in which the Default Determination Date in respect of the Defaulting Clearing Participant mentioned in the main body of this Paragraph falls, less the amount applied pursuant to Article 104) and the Second Tier CDS Settlement Guarantee Reserve;
- (3) Use of the Third Tier Special Clearing Charge payable by each Participant Bearing Third Tier Special Clearing Charge (provided that the amount so used shall not exceed the amount of Third Tier Special Clearing Charge which is calculated pursuant to the provisions of Paragraph 2 of Article 105 whereby the JSCC's claim is treated as if it were the Loss Resulting from Default Settlement, less the amount of Third Tier Special Clearing Charge that has been already paid by such Participant Bearing Third Tier Special Clearing Charge pursuant to the provisions of Paragraph 1 of Article 105); and
- (4) Use of the Fourth Tier Special Clearing Charge payable by each Participant Bearing Fourth Tier Special Clearing Charge (provided that the amount so used shall not exceed the amount of Fourth Tier Special Clearing Charge which is calculated pursuant to the provisions of Paragraph 2 of Article 106 whereby the JSCC's claim is treated as if it were the Loss Resulting from Default Settlement, less the amount of Fourth Tier Special Clearing Charge that has been already paid by such Participant Bearing Fourth Tier Special Clearing Charge pursuant to the provisions of Paragraph 1 of Article 106).

2 Matters necessary to prescribe in connection with the recovery of Loss Resulting from Default Settlement pursuant to the provisions of the preceding Paragraph shall be prescribed by JSCC in its Rules.

(Article 111 Distribution of Amount Collected from Defaulting Clearing Participant)

1 In the case where default settlement procedures are taken in respect of a Defaulting Clearing Participant, JSCC shall distribute the following amounts of money to the Clearing Participants (limited only to those prescribed in the Rules of JSCC) in each of the following cases:

(1) In the case where JSCC receives payment or dividend in respect of its claim to the Defaulting Clearing Participant pursuant to the provisions of Paragraph 2 of Article 102:

The amount of such payment and dividend

(2) In the case where the amount of JSCC's claim to the Defaulting Clearing Participant set forth in Item 1 above is determined and when the amount of the Loss Resulting from Default Settlement is greater than the amount of such claim:

The excess amount

2 In the case where there is no Clearing Participant eligible to receive distribution of the amount set forth in each Item of the preceding Paragraph, such amount shall be disposed of in the manner prescribed by JSCC in its Rules.

Section 5 Delegation to Subordinate Rules

(Article 112 Delegation to Subordinate Rules)

In addition to those prescribed in this Chapter, matters necessary to prescribe in connection with settlement of Clearing Contracts of Defaulting Clearing Participant and losses in connection with Default, etc. of a Clearing Participant shall be prescribed by JSCC in its Rules.

Chapter 11 Miscellaneous Provisions

(Article 113 Temporary Change to Settlement Cutoff Time)

Only when JSCC determines it necessary to temporarily change the time when the obligations related to Clearing Contracts are to be performed (hereinafter referred to as "Settlement Cutoff Time") due to failure of the system maintained by JSCC or any other institution which is necessary for the settlement of the Clearing Contracts between JSCC and Clearing Participants or any other compelling reason, JSCC may temporarily change the Settlement Cutoff Time. In such case, JSCC shall notify all Clearing Participants to that effect in advance.

(Article 114 Postponement of Settlement Date Due to System Failure, etc.)

1 In the case where JSCC determines it impossible or difficult to perform the obligations related to the Clearing Contracts in whole or in part on the day when such obligations are to be performed (hereinafter referred to as "Settlement Date") due to failure of the system maintained by JSCC or any other institution which is necessary for the settlement of the Clearing Contracts between JSCC and Clearing Participants or any other compelling reason, JSCC may postpone the Settlement Date of such affected obligations to the immediately following day thereof or later. In such case, JSCC shall notify the relevant Clearing

Participants to that effect in advance.

- 2 Matters necessary to prescribe in connection with postponement of the Settlement Date set forth in the preceding Paragraph shall be prescribed by JSCC from time to time.

(Article 115 Extraordinary Measures in Case of Act of God)

- 1 In the case where JSCC determines that performance of obligations related to Clearing Contracts has become impossible or extremely difficult due to an act of God, economic upheaval or other unavoidable reasons, JSCC may modify the conditions of performance of such obligations (meaning the due date of the obligations, the methods of performance and other terms and conditions in respect of performance of the obligations; the same shall apply in this Article) based on the resolution of the board of directors' meeting of JSCC.
- 2 When JSCC has modified the conditions of performance of the obligations related to Clearing Contracts pursuant to the provisions of the preceding Paragraph, the Clearing Participants shall comply with such modified terms and conditions.
- 3 In the case set forth in Paragraph 1, if JSCC determines that there is an urgent necessity, JSCC may modify the conditions of performance of the obligations related to Clearing Contracts without the resolution of the board of directors' meeting of JSCC.

(Article 116 Appropriation of Excess Collateral Delivered for the Purpose of CDS Clearing Business to Other Clearing Business)

JSCC may appropriate any excess collateral delivered by a Defaulting Clearing Participant for the purpose of CDS Clearing Business to satisfy the Defaulting Clearing Participant's any other obligation to JSCC in accordance with the business rules of the Other Clearing Business. For the purpose hereof, "excess collateral" means the Initial Margin, the Variation Margin, the CDS Clearing Fund, the Default Contingent Margin and the Special Clearing Charge Collateral of which the Defaulting Clearing Participant has the right to claim return from JSCC in connection with CDS Clearing Business, that remains after appropriation to the payment of the Defaulting Clearing Participant's obligations in accordance with these Business Rules, etc. (in the case where the excess collateral consists of Substitute Securities, meaning the amount of proceeds from the realisation thereof less the cost of the realisation).

(Article 117 No Assignment of Claims, etc.)

Clearing Participants and Clearing Customers are prohibited from assigning or committing to assign any of the claims prescribed in these Business Rules (including, but not limited to, the right to claim return of the CDS Clearing Fund or any Margin) to a third party, or providing the same as collateral.

(Article 118 Delegation of Operations)

- 1 JSCC may delegate such administrative works related to the CDS Clearing Business as are specified by JSCC to entity person designated by JSCC.
- 2 In addition to these Business Rules, Clearing Participants shall comply with the Rules prescribed by the person designated pursuant to the preceding Paragraph in connection with

the administrative works set forth in the said Paragraph upon approval of JSCC.

3 The provisions of Article 18 shall apply *mutatis mutandis* to the case set forth in Paragraph 1.

(Article 119 Provision concerning Matters Necessary to Determine in connection with CDS Clearing Business)

In addition to the matters prescribed in these Business Rules, when JSCC determines it necessary to do so, JSCC may prescribe in its Rules handling of required operations in connection with the CDS Clearing Business.

(Article 120 Incidental Business)

JSCC shall conduct businesses incidental to the Financial Instruments Obligation Assumption Service, etc. (limited only to those set forth in Article 3).

(Article 121 Changes to these Business Rules)

- 1 Any changes to these Business Rules, etc. (including establishment of new Rules and abolition of existing ones; the same shall apply hereinafter) shall be implemented by JSCC based on the resolution of the board of directors' meeting of JSCC; provided, however, that in the case of changes to any Rules but these Business Rules or in the case of any insignificant change, JSCC may implement such change without its board resolution.
- 2 In the case where JSCC makes any change to these Business Rules, etc. pursuant to the provisions of the preceding Paragraph, JSCC shall notify the Clearing Participants of the details of such change in the manner prescribed by JSCC before such change takes effect; provided, however, to the extent that such change does not affect the claims and obligations of Clearing Participants and Clearing Customers or if the change is insignificant, JSCC shall be deemed to have fulfilled the foregoing obligation only if it gives the notice promptly after the change in lieu of giving the same in advance.
- 3 When each Clearing Participant receives the notice of changes in these Business Rules, etc. from JSCC pursuant to the provisions of the preceding Paragraph, it shall promptly notify the Clearing Customer with which it has entered into a Clearing Brokerage Agreement of the details of such changes.
- 4 After JSCC implements any changes to these Business Rules, etc. in accordance with Paragraph 1, JSCC, the Clearing Participants and the Clearing Customers shall comply with the provisions of these Business Rules, etc. after such changes on and after the effective date thereof.

(Article 122 CDS Management Committee)

- 1 In the case where JSCC intends to make any change to these Business Rules, etc. as set forth the preceding Article and if such change is made to any of the matters set forth in each of the following Items, JSCC shall consult with the CDS Management Committee about whether such change is appropriate or not, and respect the CDS Management Committee's opinions; provided, however, that the foregoing provision does not apply in the case where such change is insignificant:

- (1) Matters related to Subject Transactions for Clearing set forth in Article 4;
 - (2) Matters related to the eligibility requirements of CDS Clearing Qualification set forth in Article 9;
 - (3) Matters related to CDS Clearing Fund set forth in Article 17;
 - (4) Matters related to the renunciation of CDS Clearing Qualification upon application from the Clearing Participant set forth in Section 3 of Chapter 2;
 - (5) Matters related to the measures, etc. to be taken to Clearing Participants set forth in Section 4 of Chapter 2;
 - (6) Matters related to Margins set forth in Chapter 6;
 - (7) Matters related to Settlement, etc. set forth in Chapter 8;
 - (8) Matters related to clearing deposit set forth in Chapter 9;
 - (9) Matters related to the measures in case of Clearing Participant's Failure of Settlement set forth in Chapter 10;
 - (10) Matters related to the method for changing these Business Rules, etc. as set forth in the preceding Article; and
 - (11) Matters related to consultation with the CDS Management Committee as set forth in this Article.
- 2 Other than the matters set forth in the preceding Paragraph, matters related to the CDS Management Committee shall be prescribed by JSCC in its Rules.

(Article 123 Nature of these Business Rules, etc.)

Each Article within these Business Rules, etc. shall to the extent set forth therein bind upon JSCC, the Clearing Participants and the Clearing Customers collectively. Each Clearing Participant and each Clearing Customer hereby agree that either by executing a Clearing Participant Agreement or by submitting a letter of undertaking set forth in Paragraph 2 of Article 42, they will assume claims and obligations vis-à-vis other Clearing Participants or other Clearing Customers (including those who seek to become Clearing Participants or Clearing Customers in the future) in accordance with these Business Rules, etc. without having any separate agreement with such other Clearing Participants or other Clearing Customers.

(Article 124 Standard Time)

Any description of year, month, day and time used in these Business Rules, etc. shall mean those of Japanese Standard Time unless otherwise prescribed in these Business Rules, etc.

(Article 125 Method of Notification, etc.)

JSCC shall prescribe the methods of notifications, public notices and public announcements to be given by JSCC in accordance with the provisions of these Business Rules, etc.

(Article 126 Governing Law)

- 1 These Business Rules, etc. (including Clearing Participant Agreements and other agreements which are executed in accordance with these Business Rules, etc.; the same shall apply in the following Article) shall be governed by and construed in accordance with Japanese law.
- 2 Notwithstanding the provisions of the preceding Paragraph, matters pertaining to the Trade

Terms and Conditions of Clearing Contracts of Clearing Contracts shall be governed by and construed in accordance with English law, unless otherwise specified in such Trade Terms and Conditions of Clearing Contracts; provided that the matters with respect to which the compliance with the provisions of these Business Rules, etc. is expressly provided in the Trade Terms and Conditions of Clearing Contracts shall be governed by and construed in accordance with Japanese law.

3 The “Trade Terms and Conditions of Clearing Contracts” referred to in the preceding Paragraph shall mean the provisions which are applied to Clearing Contracts as set forth below:

- (1) Each provision of the ISDA Master Agreement, the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts), and STS (or STS (2010 Version) for 2003 Version Clearing Contracts) (including modifications, amendments and additions in the Documents Handling ISDA-Related Matters)
- (2) Each provision in the Documents Handling ISDA-Related Matters
- (3) The provisions of these Business Rules, etc., as prescribed by JSCC (limited to those related to Clearing Contracts).

(Article 127 Jurisdiction)

The Tokyo District Court of Japan shall have the agreed exclusive jurisdiction as the court of first instance in the case where it becomes necessary to file lawsuit between JSCC and any Clearing Participant or Clearing Customer in connection with these Business Rules, etc.

Supplementary Provisions

1 These Business Rules shall come into force as of 19 July 2011 (hereinafter referred to as “Date of Enforcement”).

2 JSCC may take the following actions and take necessary procedures and perform any other acts and things in relation thereto even before the Date of Enforcement pursuant to the applicable provisions of these Business Rules, etc.

- (1) Grant of CDS Clearing Qualification to the Applicant thereof pursuant to the provisions of Paragraph 2 of Article 8 hereof;
- (2) Conducting of the Examination pursuant to the provisions of Article 9 hereof;
- (3) Execution of a Clearing Participant Agreement pursuant to the provisions of Article 11 hereof;
- (4) Acceptance of notification of representative of the Clearing Participant pursuant to the provisions of Article 13 hereof;
- (5) Acceptance of notification of person in charge of supervising the operation of the settlement of Clearing Contracts pursuant to the provisions of Article 14 hereof; and
- (6) Acceptance of deposit of CDS Clearing Funds from Clearing Participants pursuant to the provisions of Article 17 hereof.

3 The provisions of Article 76 hereof shall not apply until the lapse of six (6) months from the Date of Enforcement.

- 4 In the case where revisions are made to the Credit Derivatives Determinations Committees Rules (meaning the “Credit Derivatives Determinations Committees Rules” published by ISDA), when JSCC determines it necessary to do so taking into account details of such revisions, the trend of overseas clearing organisations and other relevant matters, JSCC shall take necessary measures including amendment to Article 81 and other related provisions of these Business Rules, etc., after examining the powers and authorities of the JSCC Determination Committee, the relationship between JSCC and the JSCC Determination Committee and the Credit Derivatives Determinations Committees and other related matters.

Supplementary Provisions

- 1 These revised Rules shall come into force as of 1 March 2012.
- 2 The provisions of Article 126 after the amendment by these amendment provisions shall be applied to the Clearing Contracts which exist when these amended provisions become effective, provided, however, this shall not preclude the effects arising under the provisions of these Business Rules, etc. before the amendment by these amendment provisions.

Supplementary Provisions

These revised Rules shall come into force as of 31 March 2012.

Supplementary Provisions

These revised Rules shall come into force as of 23 July 2012.

Supplementary Provisions

1. These amendments shall come into force as of March 31, 2013.
2. During the period from March 31, 2013 to March 30, 2014, in applying Article 9, Paragraph 1, Item 2, b.(b), Article 28, Paragraph 3, Item 1, b. and Item 2, b., Article 28, Paragraph 4, Item 2, Article 28, Paragraph 5, Item 1, d. and Article 28, Paragraph 6, Item 2, all as amended, the references to “4.5%” in Article 9, Paragraph 1, Item 2, b.(b) (i), Article 28, Paragraph 5, Item 1, d.(a) and Article 28, Paragraph 6, Item 2, a. shall be read as “3.5%,” the references to “5.625%” in Article 9, Paragraph 1, Item 2, b.(b) (i), Article 28, Paragraph 3, Item 1, b.(a) and Item 2, b.(a), and Article 28, Paragraph 4, Item 2, a. shall be read as “4.375%,” the references to “6%” in Article 9, Paragraph 1, Item 2, b.(b) (ii), Article 28, Paragraph 5, Item 1, d.(b) and Article 28, Paragraph 6, Item 2, b. shall be read as “4.5%,” and the references to “7.5%” in Article 9, Paragraph 1, Item 2, b.(b)(ii), Article 28, Paragraph 3, Item 1, b.(b) and Item 2, b.(b) and Article 28, Paragraph 4, Item 2, b. shall be read as “5.625%.”
3. During the period from March 31, 2014 to March 30, 2015, in applying Article 9, Paragraph 1, Item 2, b.(b), Article 28, Paragraph 3, Item 1, b. and Item 2, b., Article 28, Paragraph 4, Item 2,

Article 28, Paragraph 5, Item 1, d. and Article 28, Paragraph 6, Item 2, all as amended, the references to “4.5%” in Article 9, Paragraph 1, Item 2, b.(b) (i), Article 28, Paragraph 5, Item 1, d.(a) and Article 28, Paragraph 6, Item 2, a. shall be read as “4%,” the references to “5.625%” in Article 9, Paragraph 1, Item 2, b.(b) (i), Article 28, Paragraph 3, Item 1, b.(a) and Item 2, b.(a) and Article 28, Paragraph 4, Item 2, a. shall be read as “5%,” the references to “6%” in Article 9, Paragraph 1, Item 2, b.(b) (ii), Article 28, Paragraph 5, Item 1, d.(b) and Article 28, Paragraph 6, Item 2, b. shall be read as “5.5%”, and the references to “7.5%” in Article 9, Paragraph 1, Item 2, b.(b)(ii), Article 28, Paragraph 3, Item 1, b.(b) and Item 2, b.(b) and Article 28, Paragraph 4, Item 2, b. shall be read as “6.875%.

Supplementary Provisions

These revised Rules shall come into force as of 15 May 2013.

Supplementary Provisions

These revised Rules shall come into force as of 24 February 2014.

Supplementary Provisions

These amended Rules shall be enforced on the date designated by JSCC.

Note: The date designated by JSCC is March 7, 2014.

Supplementary Provisions

These revised Rules shall come into force as of 31 March 2014.

Supplementary Provisions

These revised Rules shall come into force as of 22 September 2014.

Supplementary Provisions

These revised Rules shall come into force as of 15 December 2014.

Supplementary Provisions

These revised Rules shall come into force as of 15 June 2015.

Supplementary Provisions

- 1 These revised Rules shall come into force as of 24 September 2015.
- 2 The provisions of Article 78, as amended, shall apply to interest on Variation Margin to be calculated on and after the date on which these revised Rules shall come into force (hereinafter referred to as the “Effective Date”).
- 3 With respect to interest on Variation Margin to be calculated during the period from the first day of the month in which the Effective Date belongs to the JSCC Business Day immediately

preceding the Effective Date, the provisions before amendment shall apply.

- 4 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 Clearing Contracts, these revised Rules shall come into force as of the date designated by JSCC which is on or after 24 September 2015.

Supplementary Provisions

- 1 These revised Rules shall come into force as of 9 March 2016.
- 2 With respect to the handling of Voluntary Terminations (meaning the “Voluntary Termination” defined in Article 2, Paragraph 1, Item (44) of these Rules before the revision) for which JSCC receives applications by the day that is immediately preceding the date of enforcement of these revisions, the provisions of the Rules before revision shall apply.

Supplementary Provisions

These revised Rules shall come into force as of 5 June 2017.

Supplementary Provisions

These revised Rules shall come into force as of 3 July 2017.

Supplementary Provisions

These revised Rules shall come into force as of 6 April 2018.