

Handling Procedures of CDS Business Rules

Chapter 1 General Provisions

(Article 1 Purpose)

The purpose of these Handling Procedures of CDS Business Rules (hereinafter referred to as “CDS Procedures”) is to stipulate the matters prescribed by JSCC pursuant to the CDS Business Rules (hereinafter referred to as “Business Rules”) established by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”).

(Article 2 Definitions)

The terms used in these CDS Procedures shall have the meanings prescribed in the Business Rules except as otherwise provided in these CDS Procedures. The terms listed in the following Items shall have the meanings as defined in each such Item:

- (1) “Off-the-Run Issue” means a Designated Issue other than On-the-Run Issue which refers to the same type of Index and has the same Term as the On-the-Run Issue;
- (2) “On-the-Run Issue” means an issue whose Scheduled Termination Date is the latest of all Designated Issues which refer to the same type of Index and have the same Term;
- (3) “Designated Issue” means an Issue designated by JSCC pursuant to Article 9;
- (4) “Extra Required Initial Margin Amount” means the amount to be added to the Required Initial Margin Amount in the case where JSCC takes the measure of raising a Clearing Participant’s Required Initial Margin Amount in accordance with the Business Rules, etc.;
- (5) “Term” means the period between the Effective Date and the Scheduled Termination Date of a CDS Transaction;
- (6) “Paired Clearing Contracts” mean a pair of Clearing Contracts of the same Issue to which the same Clearing Participant is a party, where such Clearing Participant is a seller in one of the Clearing Contracts and at the same time a buyer in the other;
- (7) “Cancellation of Paired Clearing Contracts” means an unconditional cancellation of Paired Clearing Contracts designated by JSCC (including without return of the Variation Margin or payment of the Early Termination Fee) on the date designated by JSCC; and
- (8) “CDS Clearing System” means the system used for exchange of information between JSCC and Clearing Participants in respect of the JSCC’s CDS Clearing Business.

(Article 3 Form of Guarantee)

The form prescribed by JSCC as set forth in Item 3 of Paragraph 1 of Article 2 and Paragraph 5 of Article 8 of the Business Rules shall be the form attached hereto as Exhibit Form 1.

(Article 4 Method of Calculation of Net Present Value)

The method of calculation of Net Present Value prescribed by JSCC as set forth in Item 20 of Paragraph 1 of Article 2 of the Business Rules shall be prescribed by JSCC through its public notice.

(Article 5 Clearing Customer)

1 The requirements prescribed by JSCC as set forth in Item 21 of Paragraph 1 of Article 2 of the Business Rules shall be as follows:

- (1) A Clearing Customer shall be the person who belongs to the same Corporate Group to which the Clearing Participant on Customer Account belongs; and
- (2) A Clearing Customer shall be the user of the Trade Information Warehouse (hereinafter referred to as “TIW”) provided by the Warehouse Trust Company LLC.

2 The requirement prescribed in Item 1 of the preceding Paragraph shall not apply to the case when JSCC determines the Default, etc. of a Clearing Participant on Customer Account to have occurred and the Clearing Customer who has entered into the Clearing Brokerage Agreement with such Clearing Participant on Customer Account makes the Successor Clearing Participant succeed (meaning the “succession” set forth in Paragraph 1 of Article 95 of the Business Rules) to the claims and obligations set forth in each Item of the said Paragraph.

(Article 6 Clearing Participant Agreement)

The form prescribed by JSCC as set forth in Item 24 of Paragraph 1 of Article 2 and Article 11 of the Business Rules shall be the form attached hereto as Exhibit Form 2.

(Article 7 Clearing Brokerage Agreement)

The form prescribed by JSCC as set forth in Item 25 of Paragraph 1 of Article 2 of the Business Rules shall be the form attached hereto as Exhibit Form 3.

(Article 8 Types of Substitute Securities)

The securities prescribed by JSCC as set forth in Item 37 of Paragraph 1 of Article 2 of the Business Rules shall be as follows:

- (1) Japanese Government Bonds; and
- (2) US Treasuries.

(Article 9 Issues of Eligible CDS Transaction)

The Issues designated by JSCC as set forth in Item 39 of Paragraph 1 of Article 2 of the Business Rules shall be the Issues of Index CDS Transactions and Single Name CDS Transactions designated by JSCC through its public notice.

(Article 10 Requirements of Eligible CDS Transaction)

The requirements prescribed by JSCC as set forth in Item 39 of Paragraph 1 of Article 2 of the Business Rules shall be all of the followings (in respect of the CDS Transactions between Clearing Participants executed based on an entrustment of Brokerage for Clearing of Securities, etc. and the Hedge Transactions, all of the following requirements except Item 1 and Item 2):

- (1) It shall be the CDS Transaction governed by the master agreement setting forth the basic matters concerning over-the-counter derivative transactions listed in each Item

- of Paragraph 1 of Article 37 hereof and the ISDA Credit Derivatives Definitions;
- (2) Both Clearing Participants as the parties to the CDS Transaction shall have made application to JSCC pursuant to Article 48 of the Business Rules in order to have JSCC carry out Assumption of Obligation for the obligations related to such CDS Transaction;
 - (3) The Notional Amount of the CDS Transaction shall be denominated in Japanese Yen (JPY) and the Settlement Currency thereof shall be JPY;
 - (4) The Notional Amount of the CDS Transaction shall be no more than JPY 100 billion and all numbers of decimals shall be zero;
 - (5) The remaining period to the Scheduled Termination Date shall be not less than one day as of the date on which JSCC shall effect Assumption of Obligation; and
 - (6) In addition to those set forth in each Item above, it shall be the CDS Transaction which satisfies any other requirements prescribed by JSCC through its public notice.

(Article 11 Floating Payment)

The Money, etc. prescribed by JSCC as set forth in Item 52 of Paragraph 1 of Article 2 of the Business Rules shall be the Money, etc. received and paid at the Settlement between the parties to the Matched CDS Contracts and the JSCC Matched CDS Contracts deemed executed pursuant to Appendix 3.

(Article 12 Issue)

The terms of CDS Transactions prescribed by JSCC as set forth in Item 56 of Paragraph 1 of Article 2 of the Business Rules shall be, according to the classification of CDS Transaction set forth in each Item below, those specified in each such Item:

- (1) Index CDS Transactions:
 - a. Index;
 - b. Series; and
 - c. Term
- (2) Single Name CDS Transactions:
 - a. Reference Entity; and
 - b. Fixed rate
 - c. Scheduled Termination Date

(Article 13 Designation of Documents Handling ISDA-Related Documents)

The documents prescribed by JSCC as set forth in Item 63 of Paragraph 1 of Article 2 of the Business Rules shall be the documents designated by JSCC through notification to Clearing Participants or public notice in respect of the matters listed in the following Items pursuant to the provisions of these CDS Procedures listed in each Item below:

- (1) Item 1 of Paragraph 3 of Article 37 hereof: the matters deemed to be prescribed in Schedule (meaning the “Schedule” as defined in the ISDA Master Agreement; the same shall apply hereinafter);
- (2) Item 2 of Paragraph 3 of Article 37 hereof: the matters concerning the replacement of words in the provisions 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), necessary for the application thereof to Clearing Contracts;

- (2)-2 Paragraph 2 of Article 37-2 hereof: the matters concerning replacement of terms necessary for applying STS (2010 Version) to the Pre-Definitions Update Clearing Contracts which become subject to ISDA Credit Derivatives Definitions pursuant to the provisions of Paragraph 1 of Article 51-2 of the Business Rules; and
- (3) Appendix 3: the matters concerning Physical Settlement.

(Article 13-2 Designation by JSCC in respect of Changes, Amendments, or Supplements of ISDA Credit Derivatives Definitions)

The changes, amendments, or supplements to the 2014 ISDA Credit Derivatives Definitions prescribed by JSCC set forth in Item 65 of Paragraph 1 of Article 2 of the Business Rules shall be the changes, amendments, or supplements published by ISDA in writing, unless specifically excluded by JSCC in a public notice.

(Article 14 Designation by JSCC in respect of Changes, Amendments, or Supplements of ISDA Credit Derivatives Definitions (2003 Version))

The changes, amendments, or supplements to the 2003 ISDA Credit Derivatives Definitions prescribed by JSCC set forth in Item 65-2 of Paragraph 1 of Article 2 of the Business Rules shall be the changes, amendments, or supplements by the following documents published by ISDA:

- (1) 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions; and
- (2) 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions.

(Article 15 Designation by JSCC in respect of STS)

The changes, amendments, or supplements to iTraxx Asia/Pacific Untraded Standard Terms Supplement prescribed by JSCC as set forth in Item 66 of Paragraph 1 of Article 2 of the Business Rules or the changes, amendments, or supplements to iTraxx Japan Untraded Standard Terms Supplement prescribed by JSCC as set forth in Item 67 of the said Paragraph shall be the changes, amendments or supplements by the document published in writing, unless specifically excluded by JSCC in a public notice.

(Article 16 Measures Enabling Clearing Participant and Clearing Customer to Know about Indication of Intention)

The method prescribed by JSCC as set forth in Paragraph 2 of Article 6 of the Business Rules shall be the method conducted by JSCC with the CDS Clearing System.

(Article 17 Substitute Securities)

- 1 The substitute price of Substitute Securities prescribed by JSCC as set forth Paragraph 1 of the Article 7 of the Business Rules shall be the market price listed in the column of “Market Price” multiplied by the rate listed in the column of “Market Price Multiplier” (in respect of the substitute price of Substitute Securities as Customer Initial Margin, the price agreed on

between a Clearing Participant on Customer Account and a Clearing Customer not in excess of such amount) in accordance with the classification of securities listed in the column of “Type of Substitute Securities” in Appendix 1.

2 The manner of deposit of Substitute Securities and any other matters in respect of Substitute Securities prescribed in Paragraph 2 of Article 7 of the Business Rules shall be as prescribed in each Item below:

(1) Manner of deposit and other handlings of Japanese Government Bonds

- a. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) deposits Japanese Government Bonds with JSCC as Substitute Securities, the Clearing Participant shall transfer such securities to the account in the name of JSCC opened with the Bank of Japan under the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001) using the Bank of Japan financial network system (BOJ-NET); and
- b. In the case where a Clearing Customer delivers or deposits Japanese Government Bonds with a Clearing Participant on Customer Account as Substitute Securities, the Clearing Customer shall conduct such delivery or deposit by transfer of such securities to the account in the name of the Clearing Participant on Customer Account opened with the Bank of Japan or the lower positioned institution (meaning the “lower positioned institution” as defined in Paragraph 9 of Article 2 of the Act on Transfer of Bonds, Shares, etc.) under the Act on Transfer of Bonds, Shares, etc.
- c. A Clearing Participant may deposit or withdraw the Japanese Government Bonds set forth in Item (1).a. above through its agent, if the Clearing Participant has submitted to JSCC a document stating the matters required by JSCC and obtained the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent opened with the Bank of Japan or Participant in the JGB Book-Entry System.

(2) Manner and other handlings of deposit of US Treasuries

- a. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) deposits US Treasuries (hereinafter referred to as “US Treasuries”) with JSCC as Substitute Securities, the Clearing Participant shall obtain JSCC’s consent in advance on each deposit in accordance with the notification of JSCC;
- b. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) deposits US Treasuries with JSCC pursuant to the preceding Item, the Clearing Participant shall transfer the US Treasuries to be deposited to the account in the name of JSCC opened with a bank located in New York City in New York State in the United States of America by 2:00 p.m. (Eastern Standard Time) on the day immediately preceding the day on which such deposit is to be made, and shall notify JSCC to that effect by 4:00 p.m. on the day of the book-entry transfer. In such case, the book-entry transfer (excluding the transfer within the same bank) shall be carried out through the Federal Reserve Communications System in the United States of

America;

- c. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) requests JSCC to return US Treasuries deposited as Substitute Securities, the Clearing Participant shall notify JSCC of such intention by 11:00 a.m. on the day on which such return is to be made; and
- d. In the case where a Clearing Customer delivers or deposits US Treasuries with a Clearing Participant on Customer Account as Substitute Securities, the Clearing Customer shall transfer such securities to the account designated by the Clearing Participant on Customer Account by the time designated by the Clearing Participant on Customer Account before the deadline for deposit from the Clearing Participant on Customer Account to JSCC (2:00 p.m. of the Eastern Standard Time of the United States of America on the day immediately preceding the day of the deposit).
- e. A Clearing Participant may use its agent for such deposit or withdrawal of the US Treasuries set forth in Item (2).a. through c. above if the Clearing Participant submits to JSCC a document stating the matters required by JSCC and obtains the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent.

(3) Realisation

In the following cases, JSCC may realise the Substitute Securities deposited with JSCC by a Clearing Participant or a Clearing Customer by the method, at the time and at the price, etc. JSCC deems appropriate (in respect of the Substitute Securities denominated in a foreign currency, including the conversion of the proceeds from such realisation into the Japanese Yen or realisation in the Japanese Yen) or may directly exercise the right based on such Substitute Securities, and may appropriate the proceeds less the expenses required for the realisation, etc. to satisfy the obligation of such Clearing Participant to JSCC or to recover the losses pursuant to Paragraph 1 of Article 104 or Paragraph 1 of Article 110 of the Business Rules:

- a. When JSCC has determined the Default, etc. of such Clearing Participant to have occurred;
- b. When JSCC has determined the Failure of Settlement of such Clearing Participant to have occurred;
- c. When JSCC appropriates the CDS Clearing Fund deposited with JSCC by such Clearing Participant in accordance with Paragraph 1 of Article 104 or Paragraph 1 of Article 110 of the Business Rules; or
- d. When the obligations of such Clearing Participant against JSCC are accelerated or matured on the due date.

(4) *Mutatis Mutandis* Application to Substitute Securities as Customer Initial Margin

The provisions of the preceding Item shall be applied *mutatis mutandis* to Substitute Securities deposited with a Clearing Participant on Customer Account by a Clearing Customer as Customer Initial Margin.

Chapter 2 Clearing Participant

(Article 18 Application for CDS Clearing Qualification)

1 For the purpose of application for CDS Clearing Qualification prescribed in Paragraph 1 or 3 of Article 8 of the Business Rules, an Applicant shall submit to JSCC a written application for CDS Clearing Qualification specified by JSCC setting forth the matters listed below:

- (1) Trade name or corporate name (including the trade name or corporate name in English);
- (2) Address of the headquarters or principal office;
- (3) Name of the representative; and
- (4) Any other matters which JSCC deems necessary to carry out the Examination (meaning the “Examination” as defined in Paragraph 2 of Article 8 of the Business Rules; the same shall apply hereinafter) in respect of an Applicant.

However, for the application under Paragraph 3 of Article 8 of the Business Rules, Item (4) above does not need to be stated in the application form.

2 The following documents shall be attached to the written application for CDS Clearing Qualification set forth in the preceding Paragraph:

- (1) A certificate of registered matters or any alternative documents related to the Applicant;
- (2) A seal registration certificate of the Applicant’s representative (limited to the representative who is to sign and seal the Clearing Participant Agreement) or any alternative document approved by JSCC;
- (3) A document stating the name of Officer controlling or in charge of the business in respect of CDS Transactions (if there is no such Officer, a person responsible for the business in respect of CDS Transactions);
- (4) A document stating the management method for the risk of loss in respect of Clearing Business of CDS Transactions and any other method of business; and
- (5) Any other documents which JSCC deems necessary in the Examination of the Applicant.

3 An Applicant who is a Specified Successor Financial Institution may be exempted from submission of any of the above documents as JSCC considers appropriate.

(Article 19 Procedures for Acquisition of CDS Clearing Qualification)

1 The procedures for acquisition of CDS Clearing Qualification prescribed by JSCC set forth in Paragraph 1 of Article 10 of the Business Rules shall be the payment of the initial fee for CDS Clearing Qualification, the registration of a representative of Clearing Participant set forth in Paragraph 1 of Article 13 of the Business Rules, the registration of a person in charge of settlement operation set forth in Article 14 of the Business Rules, the registration of the information for identification of current account at Bank of Japan set forth in Paragraph 1 or 2 of Article 22 and other procedures deemed necessary by JSCC to grant CDS Clearing Qualification to the Applicant.

2 The amount of the initial fee for CDS Clearing Qualification set forth in the preceding Paragraph shall be JPY1 million, and the Applicant shall make the payment thereof together

with the corresponding consumption tax and local consumption tax.

- 3 The provisions of Paragraph 1 shall apply *mutatis mutandis* to the CDS Clearing Qualification acquisition procedures prescribed by JSCC under Paragraph 3 of Article 10 of the Business Rules. In this case, the phrase “the payment of the initial fee for CDS Clearing Qualification, the registration of the representative of Clearing Participant set forth in Paragraph 1 of Article 13 of the Business Rules” in Paragraph 1 shall be replaced with “the registration of the representative of Clearing Participant prescribed Paragraph 1 of Article 13 of the Business Rules.”

(Article 20 Method of Notification)

- 1 The notification with JSCC prescribed in Paragraph 1 of Article 13, Article 14, Article 19, Article 43, Article 44 and Item 3 of Paragraph 2 of Article 104 of the Business Rules, Paragraph 1 of Article 9 of the Rules on Default Settlement Regarding Clearing Participants in Relation to CDS Clearing Business and paragraph 1 of Article 8 of the CDS Default Management Committee Rules shall be made in the form prescribed by JSCC attached with the documents which JSCC deems necessary.
- 2 The notification with JSCC prescribed in Paragraph 1 of Article 13, Article 14, Article 19, Article 43 and Item 3 of Paragraph 2 of Article 104 of the Business Rules, Paragraph 1 of Article 9 of the Rules on Default Settlement Regarding Clearing Participants in Relation to CDS Clearing Business and paragraph 1 of Article 8 of the CDS Default Management Committee Rules shall be made by the time designated by JSCC on each applicable occasion.

(Article 21 Procedures of Hearing)

The procedures of the hearing prescribed in Paragraph 2 of Article 15 of the Business Rules (including the cases to which such provisions apply *mutatis mutandis* in Article 35) shall be as follows:

- (1) JSCC shall notify the relevant Clearing Participant of the subject matters, place and date of the hearing in advance;
- (2) Such Clearing Participant shall have its representative or alternative person appear at the place of the hearing and answer at the hearing faithfully;
- (3) Such Clearing Participant shall have the right to give a statement at the hearing; and
- (4) JSCC shall make records of the subject matters of the hearing, contents of the answers and the statements of such Clearing Participant and other necessary matters.

(Article 22 Method of Payment and Receipt of Money)

- 1 The payment and receipt of money in accordance with the provisions of Paragraph 1 of Article 17, Article 67, or Item 1 of Paragraph 1 of Article 107 of the Business Rules shall be performed through a bank account transfer between the current account opened in the name of JSCC with the Bank of Japan and the current account opened in the name of the relevant Clearing Participant with the Bank of Japan through BOJ-NET.
- 2 A Clearing Participant may remit or receive money described in the immediately preceding Paragraph through its agent if the Clearing Participant submits to JSCC a document stating

the matters required by JSCC and obtains the prior approval of JSCC. In this case, such remittance and receipt shall be made through the current account in the name of the agent opened and maintained with the Bank of Japan.

(Article 23 Exception to Exemption in respect of CDS Clearing Business)

The damages to be prescribed by JSCC as set forth in Article 18 of the Business Rules shall be the damages incurred by a Clearing Participant resulting from breach of obligation prescribed in Article 5 of the Rules on Inspection of Clearing Participant in relation to CDS Clearing Business, by the Inspector (meaning the “Inspector” as defined in the same rules) or the assistant (meaning the assistant as defined in the same rules).

(Article 24 Matters to be Reported)

1 The circumstances prescribed by JSCC as set forth in Article 20 of the Business Rules shall be the cases where any of the following matters occurs to a Clearing Participant, and such Clearing Participant shall report such matter to JSCC in the form prescribed by JSCC attached with any documents which JSCC deems necessary:

- (1) When the Clearing Participant establishes or changes management method for the risk of loss or method of job allocation or any other contents or methods of business pursuant to Item 2 of Paragraph 2 of Article 29-2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948) or Item 2 of Paragraph 2 of Article 33-3 of the said Law (in the case of a foreign bank, when it changes the matters listed in Item 4 of Paragraph 2 of Article 18 in the attachments to the application for CDS Clearing Qualification prescribed in the said Paragraph); provided, however, the foregoing does not apply to minor changes;
- (2) When the Clearing Participant learns that its Designated Parent Company (meaning the “Designated Parent Company” as defined in Paragraph 3 of the Article 57-12 of the Financial Instruments and Exchange Act; the same shall apply hereinafter) filed notification pursuant to the provisions of Article 57-14 of the said Act in respect of the matters listed in Item 6 of Paragraph 1 of Article 57-13 of the same Act;
- (3) In the case of a Financial Instruments Business Operator, when it suspended or resumed its Financial Instruments Business; and, in the case of a Registered Financial Institution, when it suspended or resumed its Registered Financial Institution Businesses;
- (4) When the Clearing Participant petitions the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings, commencement of special liquidation or acknowledgement of foreign insolvency proceedings (including petitions equivalent to the foregoing under any foreign laws and regulations; the same shall apply hereinafter in the following Item) or when the Clearing Participant learns the fact that the petition for any of the foregoing was filed;
- (5) When the Clearing Participant learns the fact that the Designated Parent Company petitioned or was petitioned the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings, commencement of special liquidation or acknowledgement of foreign insolvency proceedings;

- (6) When the Clearing Participant becomes, or is likely to become, unable to pay its debts when due;
- (7) When the Designated Parent Company becomes, or is likely to become, unable to pay its debts when due;
- (8) When the Clearing Participant becomes unable to meet the requirements under in Item 2 a. or b. of Paragraph 1 of Article 9 of the Business Rules;
- (9) When the Clearing Participant learns that the majority of the voting rights of all shareholders (excluding the voting rights of shares which cannot be exercised on any of the 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)) or voting rights of the equity investment is held by a single person or other single legal entity or other group;
- (10) When the Clearing Participant comes to know any change in respect of the top ten major shareholders (the top ten shareholders in descending order for the number of shares which they hold in their own or in another person's name) (limited for each period prescribed by JSCC by notice);
- (11) When any disposition or punishment is given to the Clearing Participant according to the provisions of the Laws and Regulations (meaning the Financial Instruments and Exchange Act and any other laws and ordinances related thereto including any foreign laws and ordinances equivalent to these; the same shall apply in this Article) (in the case of foreign ordinance, limited to those relating to businesses in respect of CDS Transaction);
- (12) When the Clearing Participant learns that any disposition or punishment was given to the Designated Parent Company or Specified Major Shareholders (meaning the "Specified Major Shareholder" as defined in Paragraph 4 of Article 32 of the Financial Instruments and Exchange Act; the same apply hereinafter) according to the provisions of the Laws and Regulations;
- (12)-2 In association with a disposition set forth in preceding two Items, when the Clearing Participant reported an improvement plan to an administrative agency;
- (13) In the case of a Financial Instruments Business Operator, when the Clearing Participant learns that any of its Officers has fallen under the provisions of Item 2 a) to i) of Paragraph 1 of Article 29-4 of the Financial Instruments and Exchange Act and, in the case of a Registered Financial Institution, when the Clearing Participant learns that any of its Officers (limited to an Officer controlling or in charge of the business in respect of CDS Transactions (if there is no such Officer, a person responsible for the business in respect of CDS Transactions)) was given a resolution for the commencement of bankruptcy proceedings, a sentence for imprisonment without work or severer punishment, or has been fined pursuant to the said Act (including similar cases under any foreign laws and regulations);
- (14) When the Clearing Participant learns that any Officer of its Designated Parent Company has fallen under the provisions of Item 2 a) to i) of Paragraph 1 of Article 29-4 of the Financial Instruments and Exchange Act;
- (15) When the Clearing Participant learns that the Major Shareholders of Financial Instruments Business Operator, (meaning the "Major Shareholders" as defined in Paragraph 2 of Article 29-4 of the Financial Instruments and Exchange Act; the same

- shall apply hereinafter) have fallen under the provisions of Item 5 d) or e) of Paragraph 1 of Article 29-4 of the said Act (in the case of a foreign entity which is a Financial Instruments Business Operator, when it learns that those similar to Major Shareholders have fallen under f) of the said Item);
- (16) When the Clearing Participant learns that the Major Shareholders of its Designated Parent Company have fallen under the provisions of Item 5 d) or e) of Paragraph 1 of Article 29-4 of the Financial Instruments and Exchange Act;
 - (17) When the Clearing Participant has had civil proceedings filed against it (excluding the litigation where the economic value of the subject matter is less than JPY 50 billion; the same shall apply hereinafter) or when a judgment, etc. of court (including the case of an appeal) has been made in respect of such litigation, or, where it has been served with a petition for conciliation (excluding the conciliation where the economic value of the subject matter is less than JPY 50 billion; the same shall apply hereinafter) under the Civil Conciliation Act (Act No. 222 of 1951) or when such conciliation has been resolved;
 - (18) When the Clearing Participant learns that its Designated Parent Company has had civil proceedings filed against it or that a judgment, etc. of court (including the case of an appeal) has been made in respect of such litigation, or that it has been served with a petition for conciliation under the Civil Conciliation Act or that such conciliation has been resolved;
 - (18)-2 In the case of a Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 46-3 of the Financial Instruments and Exchange Act; in the case of a Registered Financial Institution, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 48-2 of the Financial Instruments and Exchange Act; or, in the case of a foreign Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 49-3 of the Financial Instruments and Exchange Act;
 - (19) When the Clearing Participant prepares the Monitoring Questionnaires (in the case of a Registered Financial Institution, a Statement of Major Accounts prescribed by JSCC through notification) pursuant to Article 56-2 of the Financial Instruments and Exchange Act;
 - (20) When the Clearing Participant prepares the “document stating the sound management of the company available for public inspection” pursuant to the provisions of Paragraph 3 of Article 57-5 of the Financial Instruments and Exchange Act;
 - (21) When the Ultimate Designated Parent Company (meaning the “Ultimate Designated Parent Company” as defined in the provisions of Paragraph 3 of Article 57-12 of the Financial Instruments and Exchange Act; the same shall apply hereinafter) prepares the “document stating the sound management of the company available for public inspection” pursuant to the provisions of Paragraph 3 of Article 57-5 of the said Act;
 - (22) In the case of a Financial Instruments Business Operator, when the Clearing Participant prepares a business status report set forth in Article 46-3 of the Financial Instruments and Exchange Act, or in the case of a Registered Financial Institution, when the Clearing Participant prepares a non-consolidated or consolidated business operations report set forth in Article 19 of the Banking Act (Act No. 59 of 1981) or a

- mid-term business operations report set forth in the same Article, or when the Clearing Participant prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 110 of the Insurance Business Act (Act No. 105 of 1995) (in the case of a Registered Financial Institution which is a foreign entity, when the Clearing Participant prepares a report equivalent to those prescribed above);
- (23) When the Clearing Participant prepares a business report pursuant to the provisions of Paragraph 1 of Article 57-3 of the Financial Instruments and Exchange Act;
 - (24) When the Ultimate Designated Parent Company prepares the business report;
 - (25) When the Clearing Participant prepares a financial result overview report or a mid-term financial result overview report prescribed by JSCC through notification;
 - (26) In the case of a Financial Instruments Business Operator which is a foreign entity, when the Clearing Participant prepares the balance sheet, the profit and loss statement and any other financial statements set forth in Paragraph 1 of Article 49-3 of the Financial Instruments and Exchange Act;
 - (27) When the Clearing Participant prepares a report on outstanding position amount of CDS Transactions as prescribed by JSCC through notification;
 - (28) When the Clearing Participant agrees to the amendment of the Clearing Brokerage Agreement with a Clearing Customer;
 - (28)-2 When the Clearing Participant learns that a Clearing Customer of the Clearing Participant changes in the trade name or corporate name (including a change in the trade name or corporate name in English);
 - (29) When a Clearing Customer of the Clearing Participant fails to perform settlements;
 - (30) When the Clearing Participant learns that the Designated Parent Company changed the address of its headquarters or principal office;
 - (31) When the Clearing Participant filed a notification pursuant to the provisions of Paragraph 1 of Article 57-2 of the Financial Instruments and Exchange Act or Paragraph 6 of the same Article (limited to the case of Item 2 of the same paragraph);
 - (32) When the Clearing Participant learns that its parent company is designated as Designated Parent Company, or that such designation is cancelled or has become ineffective;
 - (33) When the Clearing Participant learns that the Designated Parent Company merged with another entity (excluding the case where the Designated Parent Company ceases to exist through the merger);
 - (34) When the Clearing Participant learns that a person newly became, or ceased to be, a Specified Major Shareholder; or
 - (35) When any change of Officer controlling or in charge of the business in respect of CDS Transactions (if there is no such Officer, a person responsible for the business in respect of CDS Transactions) has occurred.
 - (36) When the Clearing Participant changes its fiscal year end date.
- 2 A Clearing Participant shall, in the case of reporting on the matters as prescribed in Item 22 of the preceding Paragraph, attach audit reports by accounting auditors (including the documents deemed by JSCC as equivalent thereto) concerning the financial statements attached to the business status reports, non-consolidated business operations reports, or other equivalent documents prescribed in the said Item to the reports specified in the text of the

said Paragraph.

3 Where a Clearing Participant is guaranteed by its Parent Company, etc., the circumstances prescribed by JSCC as set forth in Article 20 of the Business Rules shall be, in addition to those listed in each Item of Paragraph 1, those listed in each of the following Items; and the Clearing Participant shall report on the relevant matters in the form prescribed by JSCC attached with any document which JSCC deems necessary:

- (1) When the parent company (excluding the Designated Parent Company) falls under any of Items 4, 6, 11 and 17 of Paragraph 1;
- (2) When the parent company falls under any of Items 19, 22, 25 and 26 of Paragraph 1;
- (3) When the Clearing Participant or its Parent Company, etc. no longer satisfies the requirements set forth in each Item of Paragraph 2 of Article 9 of the Business Rules; and
- (4) In the case of the Parent Company, etc. which is not a Financial Instruments Business Operator or a Registered Financial Institution, when it falls under any of the following circumstances:
 - a. when it suspended or resumed all of its businesses; or
 - b. when it prepared a balance sheet, profit and loss statement or any other financial documents.

4 The provisions of Paragraph 2 shall apply *mutatis mutandis* to the reporting by the Clearing Participant concerning the event where its Parent Company, etc. (limited to the Parent Company, etc. which provides the Guarantee by Parent Company, etc. for such Clearing Participant) falls under Item 22 of Paragraph 1 or Item 4 b. of the preceding Paragraph for the purpose of the preceding Paragraph.

(Article 25 Application for Renunciation of CDS Clearing Qualification)

1 In respect of the application for renunciation of CDS Clearing Qualification prescribed in Article 22 of the Business Rules, a Clearing Participant who intends to renounce its CDS Clearing Qualification shall submit the application for renunciation of CDS Clearing Qualification in the form prescribed by JSCC setting forth the matters listed in the following Items:

- (1) Trade name or corporate name (including the trade name or corporate name in English);
- (2) Address of the headquarters or principal office;
- (3) Name of the representative; and
- (4) The reason to apply for renunciation of its CDS Clearing Qualification.

2 The application for renunciation of CDS Clearing Qualification set forth in the preceding Paragraph shall be submitted with any documents which JSCC deems necessary to approve such renunciation of CDS Clearing Qualification.

(Article 26 Time of Renouncement of CDS Clearing Qualification Taking Effect)

The time designated by JSCC set forth in Paragraph 1 of Article 23 of the Business Rules

shall be the time prescribed in Paragraph 2 of Article 36.

(Article 27 Cancellation of Outstanding Clearing Contracts)

1 The contracts to be specified by JSCC as set forth in Paragraph 1 of Article 23 and Paragraph 1 of Article 38 of the Business Rules (hereinafter referred to as “Outstanding Clearing Contracts” in this Article) shall be as follows:

- (1) Paired Clearing Contracts (in the case where the Clearing Participant has more than one Clearing Participant Account, the Paired Clearing Contracts within each of the Clearing Participant Account); and
- (2) Any other Clearing Contracts designated by JSCC on each applicable occasion.

2 The cancellation of the Paired Clearing Contracts listed in Item 1 of the preceding Paragraph shall be executed at the time of the renunciation of the CDS Clearing Qualification, when JSCC receives an application for renunciation of CDS Clearing Qualification from a Clearing Participant, in respect of the Clearing Contracts to which such Clearing Participant is a party

3 Cancellation and any other measures taken for the Outstanding Clearing Contracts set forth in Item 2 of Paragraph 1 shall be prescribed by JSCC in each applicable occasion.

(Article 28 The Case Prescribed by JSCC as Circumstances that a Clearing Participant Holds Excessive Positions Compared to Net Capital Amount)

The case prescribed by JSCC as the circumstances deemed by JSCC that a Clearing Participant holds excessive position compared to the Net Capital Amount of the Clearing Participant and its Parent Company, etc. (limited to the Parent Company, etc. which provides the Guarantee by Parent Company, etc. for such Clearing Participant; the same shall apply in this Article) as referred to in Paragraph 2 of Article 29 of the Business Rules shall be the case where the stressed risk amount in respect of the Clearing Contracts to which the Clearing Participant is a party (meaning the amount of possible loss incurred by the Clearing Participant arising from its Clearing Contracts due to extreme price fluctuation of CDS Transactions and calculated by the method prescribed by JSCC through notification to Clearing Participants; the same shall apply hereinafter) is more than the Net Capital Amount of the Clearing Participant and its Parent Company, etc. multiplied by the ratio prescribed by JSCC through notification to Clearing Participants.

(Article 29 The Case Prescribed by JSCC as Circumstances that a Clearing Participant Holds Excessively Concentrated Positions Compared to Market Circumstances)

The cases prescribed by JSCC as the circumstances deemed by JSCC that a Clearing Participant holds excessively concentrated positions compared to the market circumstances as referred to in Paragraph 2 of Article 29 of the Business Rules shall be the cases prescribed in the following Items according to the classification of CDS Transactions:

(1) Index CDS Transactions

Where the On-the-Run Converted Net Notional Amount (meaning the amount calculated as the Net Notional Amount of the On-the-Run Issue by the method prescribed by JSCC through notification to Clearing Participants based on the Net Notional Amount of each

Clearing Participant Account (meaning the residual Notional Amount in respect of the Clearing Contracts of each Clearing Participant on the assumption that the Paired Clearing Contracts for each Issue has been terminated; the same shall apply hereinafter); the same shall apply in the following Article) of such Clearing Participant is more than the level determined by JSCC through notification to Clearing Participants; and

(2) Single Name CDS Transactions

Where the total sum of the Net Notional Amounts of Single Name CDS Contracts linked to the same Reference Entity held by the relevant Clearing Participant exceeds the level determined by JSCC through notification to Clearing Participants.

(Article 30 Raise in Required Initial Margin Amount for Clearing Participant, etc. Holding Excessive Positions, etc.)

The Required Initial Margin Amount set forth in Paragraph 2 of Article 29 of the Business Rules shall be raised in such manner as that the amount set forth in each of the following Items shall be taken as the Extra Required Initial Margin Amount, according to the case set forth in each such corresponding Item below:

- (1) In the case of Article 28 (excluding the cases which fall under the following Item):
The Required Initial Margin Amount multiplied by the multiplier prescribed by JSCC through notification according to the ratio of the stressed risk amount in respect of the Clearing Contract to which the Clearing Participant is a party against the Net Capital Amount of the Clearing Participant and its Parent Company, etc. (limited to the Parent Company, etc. which provides the Guarantee by Parent Company, etc. for such Clearing Participant; the same shall apply in this Article);
- (2) In the case of Article 28, when the stressed risk amount in respect of the Clearing Contract to which the Clearing Participant is a party exceeds 100% of the Net Capital Amount of the Clearing Participant and its Parent Company, etc.:

The total of the amounts listed in the following Sub-items a. through c.:

- a. The amount equivalent to the Required Initial Margin Amount multiplied by the ratio prescribed by JSCC through notification;
- b. In respect of the Clearing Contract for each Issue (or for each Reference Entity for Single Name CDS Transactions; the same shall apply in this Article) newly executed after such measure of raising of the Required Initial Margin Amount has been taken (hereinafter referred to as "New Clearing Contract" in this Item), if the position of the Clearing Participant becomes net short (referring to the case where the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller exceeds the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer), the amount prescribed by JSCC through notification as the amount obtained by deducting the Margin equivalent amount related to the New Clearing

Contract from the amount equivalent to such net short amount (meaning the amount obtained by deducting the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer from the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller); and

- c. In respect of the New Clearing Contract, if the position of the Clearing Participant becomes net long (referring to the case where the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer exceeds the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller), the amount prescribed by JSCC through notification as the amount obtained by deducting the Margin equivalent amount related to the New Clearing Contract from the aggregate amount of the sum equivalent to the present value of the total of the Fixed Amounts (limited to those whose due dates are yet to come) in respect of the net long amount (meaning the amount obtained by deducting the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller from the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer) and the sum equivalent to the Variation Margin paid by JSCC to the Clearing Participant in respect of such Clearing Contract.

- (3) In the case of Article 29 (excluding the cases which fall under the following Item):
The Required Initial Margin Amount multiplied by the larger of (i) the multiplier prescribed by JSCC through notification according to the On-the-Run Converted Net Notional Amount of the Clearing Index CDS Contract to which the Clearing Participant is a party or (ii) the largest of the multipliers prescribed by JSCC through notification according to the Net Notional Amount of the Clearing Single Name CDS Contract, to which the Clearing Participant is a party, for each Reference Entity.
- (4) In the case of Article 29, when the On-the-Run Converted Net Notional Amount of the Clearing Index CDS Contract to which the Clearing Participant is a party or the Net Notional Amount of the Clearing Single Name CDS Contract for each Reference Entity exceeds the amount prescribed by JSCC through notification;

The total of the amounts set forth in the following Sub-items a. through c. below:

- a. The amount equivalent to the Required Initial Margin Amount multiplied by the ratio prescribed by JSCC through notification;
- b. In respect of the Clearing Contract for each Issue newly executed after such measure of raising of the Required Initial Margin Amount has been taken (hereinafter referred to as “New Clearing Contract” in this Item), if the position of the Clearing Participant becomes net short (referring to the case where the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller exceeds the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer), the amount prescribed by JSCC through

- notification as the amount obtained by deducting the Margin equivalent amount related to the New Clearing Contract from the amount equivalent to such net short amount (meaning the amount obtained by deducting the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer from the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller) , multiplied by the ratio prescribed by JSCC through notification; and
- c. In respect of the New Clearing Contract, if the position of the Clearing Participant becomes net long (referring to the case where the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer exceeds the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller), the amount prescribed by JSCC through notification as the amount obtained by deducting the Margin equivalent amount related to the New Clearing Contract from the aggregate amount of the sum equivalent to the present value of the total of the Fixed Amount (limited to those whose due dates are yet to come) in respect of the net long amount (meaning the amount obtained by deducting the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Seller from the total Notional Amount of the New Clearing Contract for each Issue to which the Clearing Participant is the Buyer) and the sum equivalent to the Variation Margin paid by JSCC to the Clearing Participant in respect of such Clearing Contract, multiplied by the ratio prescribed by JSCC through notification.

(Article 31 Measures for Clearing Participants based on Credit Standing)

- 1 The measures to raise the Required Initial Margin Amount set forth in Article 32 of the Business Rules shall be taken by the method of regarding the amount calculated in accordance with the multiplier prescribed by JSCC through notification as the Extra Required Initial Margin Amount.
- 2 The level prescribed by JSCC set forth in Item 1 a. of Article 32 of the Business Rules shall be, in respect of the Capital-to-Risk Ratio of the Clearing Participant (in the case where the Clearing Participant is a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio; the same shall apply hereinafter), 250%, and in respect of its credit standing, when the Clearing Participant falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Clearing Participant threatens to be insufficient.
- 3 The level prescribed by JSCC set forth in Item 1 b. of Article 32 of the Business Rules shall be, according to the classifications specified below, the level specified in each of the relevant items:
 - (1) In the case where the Clearing Participant is a Registered Financial Institution subject to Uniform International Standards:
Levels specified in a. to c. below (in the case of a foreign bank, the level equivalent thereto):

- a. In respect of its non-consolidated or consolidated Common Equity Tier 1 ratio (for an institution which operates with investment from its members, its non-consolidated or consolidated common investment Tier 1 ratio, the same shall apply hereinafter), 5.625%, and in respect of its credit standing, when the Clearing Participant falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Clearing Participant threatens to be insufficient;
 - b. In respect of its non-consolidated or consolidated Tier 1 ratio, 7.5%, and in respect of its credit standing, when the Clearing Participant falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Clearing Participant threatens to be insufficient;
 - c. In respect of its non-consolidated or consolidated Total Capital ratio, 10%, and in respect of its credit standing, when the Clearing Participant falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Clearing Participant threatens to be insufficient;
 - (2) In the case where the Clearing Participant is 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"):
In respect of the non-consolidated or consolidated capital adequacy ratio under standards in Japan of the Clearing Participant, 5%, and in respect of its credit standing, when the Clearing Participant falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Clearing Participant threatens to be insufficient.
- 4 The level prescribed by JSCC set forth in Item 1 c. of Article 32 of the Business Rules shall be, in respect of the non-consolidated or consolidated solvency margin ratio of the Clearing Participant, 500%, and in respect of its credit standing, when the Clearing Participant falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Clearing Participant threatens to be insufficient.
- 5 The level prescribed by JSCC set forth in Item 2 a. of Article 32 of the Business Rules shall be, in respect of the Risk-to-Capital Ratio of the Clearing Participant, 250%, and in respect of the credit standing of the Parent Company, etc., when the Parent Company, etc. falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Parent Company, etc. threatens to be insufficient.
- 6 The level prescribed by JSCC set forth in Item 2 b. of Article 32 of the Business Rules shall be, according to the classifications of the Clearing Participant specified below, the level specified in each of the relevant items:
- (1) In the case where the Clearing Participant is a Registered Financial Institution subject to Uniform International Standards:
Levels specified in a. to c. below (in the case of a foreign bank, the level equivalent thereto):
 - a. In respect of its non-consolidated or consolidated Common Equity Tier 1 ratio, 5.625%, and in respect of the credit standing of the Parent Company, etc., when the Parent Company, etc. falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Parent

- Company, etc. threatens to be insufficient;
- b. In respect of its non-consolidated or consolidated Tier 1 ratio, 7.5%, and in respect of the credit standing of the Parent Company, etc., when the Parent Company, etc. falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Parent Company, etc. threatens to be insufficient;
 - c. In respect of its non-consolidated or consolidated Total Capital ratio, 10%, and in respect of the credit standing of the Parent Company, etc., when the Parent Company, etc. falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Parent Company, etc. threatens to be insufficient;
- (2) In the case where the Clearing Participant is a Financial Institution subject to Japanese Standard:
- In respect of the non-consolidated or consolidated capital adequacy ratio under standards in Japan of the Clearing Participant, 5%, and in respect of the credit standing of the Parent Company, etc., when the Parent Company, etc. falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Parent Company, etc. threatens to be insufficient.
- 7 The level prescribed by JSCC set forth in Item 2 c. of Article 32 of the Business Rules shall be, in respect of the non-consolidated or consolidated solvency margin ratio of the Clearing Participant, 500%; and in respect of the credit standing of the Parent Company, etc., when the Parent Company, etc. falls under the situation prescribed by JSCC through notification or public notice as the case where the creditworthiness of such Parent Company, etc. threatens to be insufficient.
- 8 The events prescribed by JSCC set forth in Item 2 a. through Item 2 c. of Article 32 of the Business Rules shall be, according to the classification of the Parent Company, etc. of the Clearing Participant listed in each of the following Items, the event set forth in each such Item:
- (1) In the case of a Financial Instruments Business Operator:
Its Capital-to-Risk Ratio becomes less than 250%.
 - (2) In the case of a Registered Financial Institution subject to Uniform International Standards, when it falls under conditions specified in a. to c. below (in the case of a foreign bank, when it shall fall under the conditions equivalent thereto):
 - 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 Financial Institution subject to Japanese Standard:
Its non-consolidated or consolidated capital adequacy ratio under the Standard in Japan becomes less than 5%

- (4) In the case of a Registered Financial Institution which is insurance company:
Its non-consolidated or consolidated solvency margin ratio becomes less than 500%.
- (5) In the case where it falls under none of the above:
It falls under the conditions equivalent to those set forth in any of the preceding Items.

(Article 32 Cumulative Application of Measure of Raising Required Initial Margin Amount)

In the case where a Clearing Participant is subject to more than one application of the measures of raising the Required Initial Margin Amount, the Extra Required Initial Margin Amount in respect of each of such measures shall be added together; provided, however, in the case where the total amount of the relevant Required Initial Margin Amount and such Extra Required Initial Margin Amounts exceeds the total amount of the Net Notional Amount (in the case relevant Clearing Participant has more than one Clearing Participant Account, the aggregate of the Net Notional Amount of each Clearing Participant Account; the same shall apply hereinafter), the Required Initial Margin Amount shall be the aggregate of the Net Notional Amount.

Chapter 3 Brokerage for Clearing of Securities, etc.

(Article 33 Letter of Undertaking in respect of Clearing Brokerage Agreement)

The letter of undertaking to be prescribed by JSCC as set forth in Paragraph 2 of Article 42 of the Business Rules shall be in the form of Exhibit Form 4.

(Article 34-Deleted)

Chapter 4 Assumption of Obligation and Clearing Contract

(Article 35 Application for Assumption of Obligation, etc.)

- 1 The method prescribed by JSCC as set forth in Paragraph 1 of Article 48 of the Business Rules shall be the method of having TIW record.
- 2 The application for Assumption of Obligation set forth in Paragraph 2 of Article 48 of the Business Rules shall be made by the time designated by JSCC through the notification or public notice on the 2nd JSCC business day during the period from every Tuesday to the next Monday (hereinafter referred to as "Period for Assumption of Obligation") unless otherwise prescribed by JSCC through notification or public notice.

(Article 36 Requirements in respect of Assumption of Obligation, etc.)

- 1 The requirements prescribed by JSCC as set forth in Paragraph 1 of Article 49 of the Business Rules shall be those listed below, all of which shall be satisfied by the Eligible CDS Transaction prescribed in the said Paragraph (in the case of an Eligible CDS Transaction executed between Clearing Participants based on the entrustment of Brokerage for Clearing of Securities, etc., limited only to those listed in Item (1) below):
 - (1) Requirements set forth in Article 10 are met;
 - (2) The transaction was executed by the day preceding the third Business Day prior to the

- day set forth in the following Paragraph; and
- (3) The matters designated by JSCC through notification or public notice in respect of the Eligible CDS Transaction are recorded on the TIW.
- 2 The time prescribed by JSCC as set forth in Paragraph 1 of Article 49 of the Business Rules shall be 4:00 p.m. on the JSCC Business Day following the day to which the time prescribed in Paragraph 2 of the preceding Article belongs (or, if such day falls on a Fixed Rate Payer Payment Date or the day on which a Fixed Amount is paid and received pursuant to the deferral of a Fixed Rate Payer Payment Date in accordance with Section 1.53 of the ISDA Credit Derivatives Definitions (or Section 2.11 of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts), the JSCC Business Day following such day, or if such day falls on a JSCC Business Day immediately preceding a Fixed Rate Payer Payment Date, the JSCC Business Day following the Fixed Rate Payer Payment Date).
- 3 In the case of failure of the CDS Clearing System or any other system installed by JSCC or other institution necessary for the operation of CDS Clearing Business or when JSCC deems it necessary to do so due to an unavoidable reason, JSCC may change the time set forth in the preceding Paragraph. When JSCC changes such time, JSCC shall make notification to the Clearing Participants of the time after such change without delay.

(Article 37 Terms for Clearing Contracts, etc.)

- 1 The master agreements prescribed by JSCC as set forth in Paragraph 1 of Article 51 of the Business Rules shall be as follows:
- (1) 1987 ISDA Interest Rate and Currency Exchange Agreement (including the Schedule);
- (2) 1987 ISDA Interest Rate Swap Agreement (including the Schedule);
- (3) 1992 ISDA Master Agreement (including the Schedule);
- (4) 2002 ISDA Master Agreement (including the Schedule); and
- (5) In addition to those set forth in the preceding Items, a master agreement designated by JSCC through its public notice.
- 2 The STS shall be applied to a Clearing Contract which is an Index CDS Transaction, and each provision of the STS (or the STS (2010 Version) for 2003 Version Clearing Contracts) shall constitute the terms of such Clearing Contract.
- 3 In applying the ISDA Master Agreement, the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for the Pre-Definition Update Clearing Contracts) and STS (or STS (2010 Version) for 2003 Version Clearing Contracts) to a Clearing Contract pursuant to the provisions of Paragraph 1 of Article 51 of the Business Rules, the preceding Paragraph and Paragraph 2 of the following Article, the necessary replacement of terms and other matters shall be prescribed as follows:
- (1) The matters prescribed in the Business Rules, etc. and other matters prescribed by JSCC through its public notice shall be deemed as the matters prescribed in the Schedule; and

- (2) In addition to the provisions in the preceding Item, the necessary replacement of terms in applying the ISDA Master Agreement, the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for the Pre-Definition Update Clearing Contracts) and STS (or STS (2010 Version) for 2003 Version Clearing Contracts) to a Clearing Contract shall be prescribed by JSCC through its public notice.

4 A Fixed Amount shall be paid in accordance with the followings:

- (1) A Clearing Participant as Buyer under the Clearing Contract shall pay the amount of money equivalent to the Fixed Amount to JSCC by 11:00 a.m.; and
- (2) JSCC shall pay the amount of money equivalent to the Fixed Amount to the Clearing Participant as Seller under the Clearing Contract after 1:30 p.m. without delay.

5 The rules to be separately prescribed under Paragraph 2 of Article 51 of the Business Rules shall be specified in a public notice.

(Article 37-2 Change of Terms of Pre-Definition Update Clearing Contracts)

- 1 Those specified by JSCC as set forth in Paragraph 1 of Article 51-2 of the Business Rules shall be the Pre-Definition Update Clearing Contracts that are Single Name CDS Transactions and referring to the Reference Entities specified by JSCC in a public notice.
- 2 Notwithstanding the provisions of Paragraphs 2 and 3 of the preceding Article, STS (2010 Version) shall apply to the Pre-Definition Update Clearing Contracts which become subject to the ISDA Credit Derivatives Definitions pursuant to the provisions of Paragraph 1 of Article 51-2 of the Business Rules, and the replacement of terms which will become necessary in connection therewith shall be specified by JSCC in a public notice. Each provision of STS (2010 Version) after such replacement of terms shall newly form the terms of such Pre-Definition Update Clearing Contracts.
- 3 Sections to be prescribed by JSCC set forth in Paragraph 2 of Article 51-2 of the Business Rules shall be the sections referring to the Reference Entity specified by JSCC in a public notice as to Index CDS Transactions.
- 4 The provisions to be specified by JSCC set forth in Paragraph 2 of Article 51-2 of the Business Rules are Paragraph 3 of Article 126 of the Business Rules, Item (2) of Article 13 of these Rules, Paragraphs 2 and 3 of the preceding Article.
- 5 In addition to those set forth in each of the preceding Paragraphs, changes to the terms of the Pre-Definition Update Clearing Contracts and other necessary matters shall be prescribed by JSCC in a public notice.

(Article 38 Method of Application for Compression of Clearing Contracts)

- 1 The method to be separately prescribed under Paragraph 1 of Article 53 of the Business Rules

shall be the method prescribed by JSCC in a notification or a public notice.

- 2 The requirements prescribed under Paragraph 2 of Article 53 of the Business Rules shall be those set forth below:
 - (1) Issue of the Clearing Contract subject to the application for Compression and the terms prescribed by JSCC in a notification or a public notice match with any of the other Clearing Contracts for which Compression is applied, and a pair of the Clearing Contract subject to the application for Compression and any of the above-mentioned other Clearing Contracts is the Paired Clearing Contract;
 - (2) Matters designated by JSCC in a notification or a public notice is recorded on TIW in respect of the Clearing Contract to terminate as a result of the application for Compression; and
 - (3) Matters designated by JSCC in a notification or a public notice is recorded on TIW in respect of the Clearing Contract to come into effect as a result of the Compression.
- 3 JSCC shall confirm satisfaction of the Compression Conditions under Paragraph 2 of Article 53 of the Business Rules by 1:00 p.m. on the next JSCC Business Day following the date on which such application has been made.
- 4 Notwithstanding the provisions of the immediately preceding paragraph, JSCC may temporarily change the cutoff time set forth in said Paragraph as JSCC deems necessary. In such case, JSCC shall notify all Clearing Participants made application for Compression related to such change of such temporary change and the new cutoff time.

(Article 38-2 Method of Application for Ad Hoc Compression of Clearing Contracts)

- 1 The method to be separately prescribed under Paragraph 1 of Article 53-2 of the Business Rules shall be the method prescribed by JSCC in a notification or a public notice.
- 2 The requirements prescribed under Paragraph 2 of Article 53-2 of the Business Rules shall be those set forth below:
 - (1) Issue of the Clearing Contract subject to the application for Ad Hoc Compression and the terms prescribed by JSCC in a notification or a public notice match with any of the other Clearing Contracts for which Ad Hoc Compression is applied, and a pair of the Clearing Contract subject to the application for Ad Hoc Compression and any of the above-mentioned other Clearing Contracts is the Paired Clearing Contract; and
 - (2) Matters designated by JSCC in a notification or a public notice is recorded on TIW in respect of the Clearing Contract to terminate as a result of the application for Ad Hoc Compression.
- 3 JSCC shall confirm satisfaction of the Ad Hoc Compression Conditions under Paragraph 2 of Article 53-2 of the Business Rules by 5:00 p.m. on the next JSCC Business Day following the date on which such application has been made.
- 4 Notwithstanding the provisions of the immediately preceding paragraph, JSCC may temporarily change the cutoff time set forth in said Paragraph as JSCC deems necessary. In such case, JSCC shall notify all Clearing Participants made application for Ad Hoc Compression related to such change of such temporary change and the new cutoff time.

(Article 38-3. Matters related to Funds to be Settled upon Succession of Clearing Contracts (Own Account))

1 The Early Termination Fee and the amount to be paid upon succession set forth in Article 53-4, Paragraph 4 of the Business Rules shall be calculated in the following manner:

(1) The Early Termination Fee shall be equal to net Variation Margin to be deposited with the Clearing Participant by JSCC with respect to each of such Clearing Contracts up to the date of such termination (amount deducting the gross receipts from the gross payments of Variation Margin; the same applies in this Article 38-3) plus or minus the interest on the Variation Margin to be paid or received on the JSCC Business Day immediately following such termination. If such amount is positive, then JSCC shall pay the Clearing Participant the Early Termination Fee, and if negative, the Clearing Participant shall pay JSCC the Early Termination Fee.

(2) The amount to be paid upon succession, which is equal to net Variation Margin deposited with JSCC by the Requesting Clearing Participant up to the date of termination of the Clearing Contracts (Own Account) terminating pursuant to the provisions of the first sentence of Article 53-4, Paragraph 3 of the Business Rules, plus or minus the interest on the Variation Margin to be paid or received on the JSCC Business Day immediately following such termination, shall be settled between JSCC and the Successor Clearing Participant. In this case, if such amount is positive, then the amount to be paid upon succession shall be paid by JSCC to the Successor Clearing Participant, and if negative, it shall be paid by the Successor Clearing Participant to JSCC.

2 JSCC, the Successor Clearing Participant and the Requesting Clearing Participant shall settle the amount to be paid upon succession and the Early Termination Fee calculated in accordance with the provisions of Paragraph 1 after netting the Variation Margin, etc. on the JSCC Business Day immediately following the date of termination of the Clearing Contract (Own Account) terminating pursuant to the provisions of the first sentence of Article 53-4, Paragraph 3 of the Business Rules, pursuant to the provisions of Article 53-4, Paragraph 4 of the Business Rules.

3 The provisions of Paragraphs 1 and 2 above shall apply mutatis mutandis to the case where JSCC calculates the Early Termination Fee and the amount to be paid upon succession pursuant to the provisions of Article 58-3, Paragraphs 4 and 6 of the Business Rules. In this case, the reference to "Article 53-4, Paragraph 4" in the main body of Paragraph 1 shall be deemed to be the reference to "Articles 58-3, Paragraphs 4 and 6," and, in Paragraph 1, Item (2), the reference to "Successor Clearing Participant" in the first sentence shall be deemed to be the reference to "Receiving Clearing Participant (or, in 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, the Clearing Participant on Customer Account for the Receiving Customer; the same applies in this Article)"; the reference to "Clearing Contracts (Own Account) terminating pursuant to the provisions of the first sentence of Article 53-4, Paragraph 3" shall be deemed to be the reference to "Clearing Contracts (Customer Account) that shall terminate pursuant to the provisions of the first sentence of Article 58-3, Paragraph 3 of the Business Rules (or, in 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, the Clearing Contracts (Customer Account) that shall terminate pursuant to the provisions of the second sentence of Article 58-3, Paragraph 5; the same applies in this Article); the reference to “by the Requesting Clearing Participant” shall be deemed to be the reference to “by the Clearing Participant on Customer Account for the Transferring Customer”; the reference to “to the Successor Clearing Participant” shall be deemed to be the reference to “to the Receiving Clearing Participant”; the reference to “by the Successor Clearing Participant” shall be deemed to be the reference to “by the Receiving Clearing Participant,” and, in Paragraph 2, the reference to “Successor Clearing Participant” shall be deemed to be the reference to “Clearing Participant on Customer Account for the Transferring Customer”; the reference to Requesting Clearing Participant” shall be deemed to be the reference to “Receiving Clearing Participant (or, in case of Transfer 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, the Clearing Broker for the Receiving Customer)”; the reference to “Article 53-4, Paragraph 4 of the Business Rules” shall be deemed to be the reference to “Article 58-3, Paragraphs 4 and 6 of the Business Rules”; and the reference to “Clearing Contract (Own Account)” shall be deemed to be the reference to “Clearing Contracts (Customer Account).”

- 4 The provisions of Paragraphs 1 and 2 above shall apply mutatis mutandis to the case where JSCC calculates the Early Termination Fee and the amount to be paid upon succession pursuant to the provisions of Articles 58-5, Paragraph 5 of the Business Rules. In this case, the reference to “Article 53-4, Paragraph 4” in the main body of Paragraph 1 shall be deemed to be the reference to “Articles 58-5, Paragraph 5,” and, in Paragraph 1, Item (2), the reference to “Successor Clearing Participant” shall be deemed to be the reference to “Clearing Participant on Customer Account for the Receiving Customer”; the reference to “the first sentence of Article 53-4, Paragraph 3 of the Business Rules” shall be deemed to be the reference to “the second sentence of Article 58-5, Paragraph 3 of the Business Rules”; the reference to “by the Requesting Clearing Participant” shall be deemed to be the reference to “by the Transferring Clearing Participant”; the reference to “to the Successor Clearing Participant” shall be deemed to be the reference to “to the Clearing Participant on Customer Account for the Receiving Customer”; the reference to “by the Successor Clearing Participant” shall be deemed to be the reference to “by the Clearing Participant on Customer Account for the Receiving Customer,” and, in Paragraph 2, the reference to “Successor Clearing Participant” shall be deemed to be the reference to “Clearing Participant on Customer Account for the Receiving Customer”; the reference to “Requesting Clearing Participant” shall be deemed to be the reference to “Transferring Clearing Participant”; the reference to “Article 53-4, Paragraph 4 of the Business Rules” shall be deemed to be the reference to “Articles 58-5, Paragraph 5 of the Business Rules”; and the reference to “the first sentence of Article 53-4, Paragraph 3” shall be deemed to be the reference to “the second sentence of Article 58-5, Paragraph 3.”

(Article 38-4. Matters related to Claims and Obligations Arising as a Result of Succession Transfer of Clearing Contracts (Own Account))

The terms and conditions designated by JSCC under Article 53-4, Paragraph 3 of the

Business Rules shall be designated in a notification or a public notice.

(Article 39 Notification in respect of Entrustment of Brokerage for Clearing of Securities, etc.)

- 1 The notification in respect of entrustment of Brokerage for Clearing of Securities, etc. pursuant to Paragraph 1 of Article 54 of the Business Rules shall be made by the method of having TIW record the relevant matters.
- 2 The provisions of Paragraphs 2 of Article 35 shall apply *mutatis mutandis* to the notification set forth in the preceding Paragraph.
- 3 The matters prescribed by JSCC as set forth in Paragraph 1 of Article 54 of the Business Rules shall be those designated by JSCC through notification or public notice.

(Article 40 Requirements for Underlying Transaction of Clearing Brokerage)

The requirements for Underlying Transaction of Clearing Brokerage prescribed by JSCC as set forth in Item 1 c. of Paragraph 3 of Article 54 of the Business Rules shall be those listed below:

- (1) It shall be the CDS Transaction of the Designated Issue governed by the ISDA Credit Derivatives Definitions;
- (2) The Notional Amount of the CDS Transaction shall be denominated in Japanese Yen (JPY) and the settlement currency for Credit Event is JPY;
- (3) The Notional Amount of the CDS Transaction is no more than JPY 100 billion and all numbers of decimals are zero;
- (4) The remaining period to the Scheduled Termination Date shall be not less than one day as of the date on which JSCC carries out the Assumption of Obligation; and
- (5) In addition to those set forth in each Item above, it shall be the CDS Transaction which satisfies any other requirements prescribed by JSCC through its public notice.

(Article 41 Execution of CDS Transaction based on Entrustment of Brokerage for Clearing of Securities, etc.)

- 1 The CDS Transaction between the Clearing Participant on Customer Account who accepted the entrustment of Brokerage for Clearing of Securities, etc. from a Clearing Customer prescribed in Paragraph 1 of Article 55 of the Business Rules and the Designated Counterparty in respect of such entrustment shall be executed at the time prescribed by JSCC as set forth in Paragraph 1 of Article 49 of the Business Rules on condition that such Clearing Participant on Customer Account and such Designated Counterparty have TIW record the matters designated by JSCC through the notification or public notice and JSCC confirms the contents of such record and that such CDS Transaction satisfies the requirements prescribed by JSCC as set forth in the said Paragraph.
- 2 When the Clearing Participant on Customer Account and the Designated Counterparty prescribed in the preceding Paragraph have TIW record the matters designated by JSCC through the notification or public notice pursuant to the provisions of the said Paragraph, such record shall be regarded as the notification to JSCC concerning application for Assumption of Obligation in respect of the CDS Transaction set forth in Paragraph 1 of Article 48 of the

Business Rules.

(Article 42 Same Conditions as Those of Underlying Transaction of Clearing Brokerage)

The conditions prescribed by JSCC as set forth in Item 1 of Paragraph 4 of Article 54 and Paragraph 1 of Article 55 of the Business Rules shall be as follows:

- (1) Issue; and
- (2) Notional Amount.

(Article 43 Handling of Clearing Contract (Customer Account) upon Termination of Clearing Brokerage Contracts)

- 1 The case prescribed by JSCC as set forth in Paragraph 3 of Article 55 of the Business Rules shall be the case where all the Clearing Brokerage Contracts have been terminated in accordance with the Clearing Brokerage Agreement.
- 2 The point of time specified by JSCC as set forth in Paragraph 3 of Article 55 of the Business Rules shall be the JSCC Business Day following the day on which JSCC receives a notification from a Clearing Participant on Customer Account in respect of the termination of Clearing Brokerage Contracts.

(Article 43-2 Application for Compression or Ad Hoc Compression in respect of Clearing Contracts (Customer Account))

The method to be prescribed under Paragraph 2 of Article 57 of the Business Rules shall be prescribed by JSCC in a notification or a public notice.

(Article 43-3 Method of Requesting Transfer)

The manner to be prescribed by JSCC under Paragraph 3 of Article 53-3, Paragraphs 3 and 4 of Article 58-2 and Paragraphs 3 and 4 of Article 58-4 of the Business Rules shall be the manner prescribed by JSCC in a notification or a public notice.

(Article 43-4. Matters related to Claims and Obligations Arising as a Result of Transfer of Clearing Brokerage Contracts or Clearing Contracts (Own Account))

The terms and conditions designated by JSCC under Article 58-3, Paragraphs 3 and 5 and Article 58-5, Paragraph 3 of the Business Rules shall be designated in a notification or a public notice.

Chapter 5 Margin

(Article 44 Calculation Method, etc. for Required Initial Margin Amount)

- 1 The calculation method for Required Initial Margin Amounts to be prescribed by JSCC as set forth in Paragraph 1 of Article 64 of the Business Rules and the calculation method for Required Initial Margin Amounts prescribed by JSCC for a Clearing Customer as set forth in Paragraph 1 of Article 65 of the Business Rules shall be the methods prescribed in Appendix 2.
- 2 The manner of notification to a Clearing Participant of its Required Initial Margin Amount

prescribed by JSCC as set forth in Paragraph 4 of Article 64 of the Business Rules shall be the method using the CDS Clearing System.

(Article 45 Requirements, etc. for Intraday Deposit of Initial Margin, etc.)

1 The case where the market of CDS Transactions fluctuates beyond the range specified by JSCC as set forth in Paragraph 1 of Article 70 of the Business Rules shall mean the case where the Intraday Spread Fluctuation Value exceeds the spread fluctuation threshold value determined by JSCC in advance by notification.

2 “Intraday Spread Fluctuation Value” set forth in the preceding Paragraph shall be the value equivalent to the difference between the intraday spread of On-the-run Issues at the time deemed appropriate by JSCC with the reference time of 11:00 a.m. on each JSCC Business Day (meaning the value of spread obtained by the method deemed appropriate by JSCC) and the clearing price as of the JSCC Business Day immediately preceding such JSCC Business Day.

3 The point of time specified by JSCC as set forth in Paragraph 3 of Article 70 of the Business Rules shall be the time deemed appropriate by JSCC with the reference time of 11:00 a.m. on each JSCC Business Day.

4 The required amount of intraday deposit of Initial Margin as set forth in Paragraph 3 of Article 70 of the Business Rules shall be, according to the classification of the Clearing Contract set forth in each Item below, the sum of the amounts calculated by the method set forth in each such Item (in the case where such sum amount is negative, such amount shall be regarded zero.):

(1) Clearing Contract (Own Account)

The amount equivalent to the Required Initial Margin Amount for Clearing Contract (Own Account) recalculated using the intraday spread added or deducted by the difference between the Net Present Value calculated using the intraday spread and the Net Present Value calculated using the clearing price on the immediately preceding JSCC Business day set forth in the Paragraph 1 of Article 47

(2) Clearing Contract (Customer Account)

The difference between the Net Present Value calculated using the intraday spread and the Net Present Value calculated using the clearing price on the immediately preceding JSCC Business Day set forth in the Paragraph 1 of the Article 47

5 The amount prescribed by JSCC as set forth in Paragraph 4 of Article 70 of the Business Rules shall be JPY 10 million.

(Article 46 Return of Initial Margin at Termination of Clearing Brokerage Contract)

1 The case prescribed by JSCC as set forth in Paragraph 3 of Article 72 of the Business Rules shall be the case where all the Clearing Brokerage Contracts have been terminated in accordance with the Clearing Brokerage Agreement.

- 2 In the case of the preceding Paragraph, JSCC shall deliver all Initial Margins deposited by a Clearing Customer to a Clearing Participant on Customer Account who has entered into the Clearing Brokerage Agreement with such Clearing Customer.
- 3 A Clearing Participant on Customer Account shall appropriate the Initial Margin (in the case of the Initial Margin in the form of Substitute Securities, the proceeds from realisation thereof) delivered by JSCC pursuant to the preceding Paragraph to the outstanding obligations of a Clearing Customer owed to such Clearing Participant on Customer Account in connection with the Clearing Brokerage Contracts (including the outstanding obligations arising out of termination of the Clearing Brokerage Contracts) in accordance with the Clearing Brokerage Agreement, and return the remaining amount to such Clearing Customer.

(Article 47 Required Variation Margin Amount)

- 1 The calculation method for the required amount of Variation Margin as set forth in Paragraph 1 of Article 74 of the Business Rules and the calculation method for the required amount of Variation Margin for Clearing Contracts (Customer Account) as set forth in Paragraph 2 of the said Article shall be the method to obtain the amount equivalent to the difference between the Net Present Value calculated using the clearing price on the JSCC Business Day immediately preceding the date of calculation and the Net Present Value calculated using the clearing price on the date of calculation in respect of each Clearing Contract.
- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where the Clearing Contract has become subject to the Assumption of Obligation on the date of calculation, the calculation method shall be the method to obtain the Net Present Value calculated using the difference between the clearing price and the Fixed Rate of the Issue in respect of such Clearing Contract.

(Article 48 Designation of Clearing Participants etc.)

- 1 A Clearing Participant who intends to obtain the designation by JSCC as set forth in Paragraph 1 of Article 75 of the Business Rules (hereinafter referred to as the “Designation” in this Article) shall make an application by filing an application for Designation as prescribed by JSCC to JSCC for either Index CDS or Single Name CDS Transactions.
- 2 When JSCC receives the application pursuant to the preceding Paragraph from a Clearing Participant, JSCC shall designate such Clearing Participant if it admits that such Clearing Participant is able to report on the quotes for all the Issues (or all Reference Entities for Single Name CDS Transactions) of Eligible CDS Transactions (limited to CDS Transactions relevant to the application) to JSCC in a proper and reliable manner in accordance with Article 75 of the Business Rules.
- 3 If a Clearing Participant who has been granted the Designation intends to renounce such Designation, it shall file an application for renunciation of the Designation as prescribed by JSCC to JSCC.
- 4 JSCC may revoke the Designation in the case where a Clearing Participant submits the application set forth in the preceding Paragraph or otherwise it is deemed necessary by JSCC.

(Article 49 Method of Determination, etc. of Clearing Price)

- 1 The period of time prescribed by JSCC as set forth in Paragraphs 1 and 2 of Article 75 of the Business Rules shall be from 3:15 p.m. to 4:00 p.m.
- 2 The method prescribed by JSCC as set forth in Paragraphs 1 and 2 of Article 75 of the Business Rules shall be the method determined by the person set forth in Paragraph 2 of Article 58.
- 3 The determination of clearing price set forth in Paragraph 3 of Article 75 of the Business Rules shall be made by the method determined by JSCC through the notification or public notice based on the quotes reported by Clearing Participants in accordance with the provisions of Paragraphs 1 and 2 of the said Article (including the quotes adjusted as prescribed by JSCC through notification or public notice; the same shall apply in the following Article).

(Article 50 Measures, etc. to Ensure Reliability of Clearing Price)

- 1 The cases prescribed by JSCC as set forth in Paragraph 1 of Article 76 of the Business Rules shall be the following:
 - (1) When the combination formed by matching the quote reported by a Clearing Participant to JSCC in accordance with the provisions of Paragraph 1 or Paragraph 2 of Article 75 of the Business Rules and the quote reported by other Clearing Participants to JSCC as prescribed by JSCC through notification or public notice satisfies the conditions prescribed by JSCC through notification or public notice; or
 - (2) When the difference between the quote reported by a Clearing Participant to JSCC in accordance with the provisions of Paragraph 1 or Paragraph 2 of Article 75 of the Business Rules and the reference value determined by JSCC through notification or public notice exceeds the level determined by JSCC through notification or public notice.
- 2 If a quote for an Index CDS Transaction reported by a Clearing Participant to JSCC on a date designated by JSCC falls under the case set forth in Item 1 of the preceding Paragraph, such Clearing Participant (hereinafter referred to as “Obligated Clearing Participant” in this Paragraph) shall, except for the cases set forth in each Item below, enter into an Eligible CDS Transaction of the Issue for which the quote was reported with another Clearing Participant who reported other quote included in the combination set forth in the said Item (hereinafter referred to as “Counterparty Clearing Participant” in this Paragraph) at the contract price determined by JSCC based on such quote as prescribed by JSCC through notification or public notice and apply for Assumption of Obligation to JSCC in respect of the Eligible CDS Transaction.
 - (1) In the case where an Eligible CDS Transaction is executed between an Obligated Clearing Participant and a Counterparty Clearing Participant based on an entrustment of Brokerage for Clearing of Securities, etc. from a Clearing Customer who has entered into a Clearing Brokerage Agreement with the Obligated Clearing Participant

- and the Obligated Clearing Participant makes an application for Assumption of Obligation to JSCC in respect of such Eligible CDS Transaction; or
- (2) In the case where another Clearing Participant who accepts entrustment of the Obligated Clearing Participant executes an Eligible CDS Transaction with the Counterparty Clearing Participant and makes an application for Assumption of Obligation to JSCC in respect of such Eligible CDS Transaction
- 3 The terms of CDS Transaction prescribed by JSCC as set forth in Paragraph 1 of Article 76 of the Business Rules shall be of the Notional Amount of JPY 1 billion and necessary matters concerning the terms of such CDS Transaction shall be prescribed by JSCC through notification to Clearing Participants.
- 4 If a quote for a Single Name CDS Transaction reported by a Clearing Participant to JSCC on a date designated by JSCC falls under the category set forth in Item 1 of Paragraph 1, the Clearing Participant must pay JPY 50,000 for each day on which such event occurs in addition to fees.
- 5 If a quote reported by a Clearing Participant to JSCC falls under the category set forth in Item 2 of Paragraph 1, the amount of money prescribed by JSCC as set forth in Paragraph 1 of Article 76 of the Business Rules shall be as follows according to the case set forth in each Item below:
- (1) In the case where the number of dates on which the condition set forth in Item 2 of Paragraph 1 of this Article is met becomes two (2) over the last six (6) months:
JPY 50,000
- (2) In the case where the number of dates on which the condition set forth in Item 2 of Paragraph 1 of this Article is met becomes or exceeds three (3) over the last six (6) months:
JPY 100,000 per every such date by which the number of such dates over the last six (6) months becomes or exceeds three (3)
- 6 The amount of money prescribed by JSCC as set forth in Paragraph 2 of Article 76 of the Business Rules shall be as follows according to the case set forth in each Item below:
- (1) In the case where the number of JSCC Business Days on which the Clearing Participant has failed to give a report in whole or in part pursuant to Paragraph 1 or Paragraph 2 of Article 75 of the Business Rules (hereinafter referred to as “Non-Reporting Date”) becomes two (2) over the last six (6) months:
JPY 50,000
- (2) In the case where the number of Non-reporting Dates becomes or exceeds three (3) over the last six (6) months:
JPY 100,000 per every Non-Reporting Date by which the number of Non-Reporting Dates over the last six (6) months becomes or exceeds three (3)

- 7 The preceding two paragraphs shall be applied to Index CDS and Single Name CDS Transactions on an individual basis.
- 8 The amount by which the fees are added as set forth in Article 76 of the Business Rules shall be calculated monthly, and shall be paid in addition to the clearing fee set forth in Paragraph 1 of Article 3 of the Rules on Fees for CDS Clearing Business.

(Article 51 Calculation of Interest on Variation Margin)

- 1 The base rate prescribed by JSCC as set forth in Paragraph 1 of Article 78 of the Business Rules shall be the weighted average rate of overnight unsecured call rate published by the Bank of Japan.
- 2 The interest on Variation Margin shall be sum of the amounts obtained using the following formula:

Variation Margin deposited with JSCC or each Clearing Participant on the JSCC Business Day immediately preceding the date of calculation \times Base Rate \times number of days during the period from the JSCC Business Day immediately preceding the date of calculation to the date of calculate/365

Chapter 6 Settlement of Moneys

(Article 52 Method of Settlement of Moneys)

- 1 The payments and receipts of moneys prescribed by JSCC as set forth in Paragraph 1 of Article 80 of the Business Rules shall be the payments and receipts of the following moneys:
 - (1) The Variation Margin;
 - (2) Interests on the Variation Margin;
 - (3) The Fourth Tier Special Clearing Charge Collateral (limited only to those deposited pursuant to Item 1 of Article 30 of the Rules on Default Settlement Regarding Clearing Participants related to CDS Clearing Business);
 - (4) The Fixed Amount;
 - (5) An amount of Settlement;
 - (6) The Fixed Amount at Settlement;
 - (7) The Initial Payment Amount in connection with Hedge Transaction;
 - (8) The amount payable upon the Succession set forth in Article 8.4.(1) of the Rules on Default Settlement Regarding Clearing Participants in relation to CDS Clearing Business and the unpaid Fixed Amounts set forth in (2) of the said Article;
 - (9) The Successful Bid Amount set forth in Article 19 of the Rules on Default Settlement Regarding Clearing Participants in relation to CDS Clearing Business;
 - (10) The Early Termination Fee which becomes payable in connection with the termination of Clearing Contracts set forth in Article 98 Paragraph 2 of the Business Rules; and
 - (11) The Early Termination Fee and the amount to be paid upon succession set forth in Article 53-4, Paragraph 4, Article 58-3, Paragraphs 4 and 6 and Article 58-5, Paragraph 5 of the Business Rules.

- 2 The method prescribed by JSCC as set forth in Paragraph 1 of Article 80 of the Business Rules shall be the book-entry transfer of moneys between the current account in the name of JSCC and that in the name of a Clearing Participant at the Bank of Japan using the Bank of Japan Financial Network System (BOJ-Net).
- 3 A Clearing Participant may settle cash amounts as set forth in the immediately preceding Paragraph through its agent by submitting to JSCC the document stating the matters required by JSCC and with JSCC's prior approval. In this case, such settlement shall be performed through the current account in the name of such agent opened and maintained with the Bank of Japan.
- 4 The netting as set forth in Paragraph 2 of Article 80 of the Business Rules shall be the netting between the gross receipts and the gross payments of the cash amounts listed in Paragraph 1.

Chapter 6-2 Clearing Deposit

(Article 52-2 Management of Clearing Deposit)

- 1 The methods prescribed by JSCC set forth in Article 88 of the Business Rules shall be the following methods according to the asset class of the clearing deposit as set forth below (excluding Initial Margin deposited by Clearing Customers):

- (1) Cash

A clearing deposit delivered in the form of cash shall be kept in either of the following forms of custody and by separating from the JSCC's proprietary assets, assets under management of JSCC in other clearing business accounts and Initial Margin of Clearing Customers, and shall be managed on the accounting book classified by the Clearing Participant and the type of the clearing deposit (i.e. CDS Clearing Fund, Initial Margin, Third Tier Special Clearing Charge Collateral and Default Contingent Margin; the same shall apply in this Article):

- a. Deposit in a checking account opened in the name of JSCC for each type the clearing deposit; or
- b. Money trust to a bank which operates trust business.

- (2) Japanese Government Bonds

A clearing deposit delivered in the form of Japanese Government Bond shall be kept in either of the following forms of custody and by separating from the JSCC's proprietary assets, and shall be managed on the accounting book classified by the Clearing Participant and the type of the clearing deposit:

- a. Record in a segregated account opened and maintained in the name of JSCC with the Bank of Japan under the JGB book-entry transfer system operated by the Bank of Japan; or
- b. Trust to a bank which operates trust business.

- (3) US Treasuries

A clearing deposit delivered in the form of US Treasuries shall be kept in either of the

following forms of custody and by separating from the JSCC's proprietary assets, assets under management of JSCC in other clearing business accounts and Initial Margin of Clearing Customers, and shall be managed on the accounting book classified by the Clearing Participant and the type of the clearing deposit:

- a. Record in an account opened in the name of JSCC with a bank located in the City of New York, the State of New York, the United States of America; or
- b. Trust to a bank which operates trust business.

2 The methods prescribed by JSCC set forth in Article 88 of the Business Rules for Initial Margin of Clearing Customers shall be the following methods according to the asset class of Initial Margin of the Clearing Customers as set forth below:

(1) Cash

Initial Margin delivered in the form of cash shall be kept in either of the following forms of custody and by separating from the JSCC's proprietary assets, assets under management of JSCC in other clearing business accounts and clearing deposit deposited by Clearing Participant, and shall be managed on the accounting book classified by each Clearing Customer:

- a. Deposit in a checking account opened in the name of JSCC; or
- b. Money trust to a bank which operates trust business.

(2) Japanese Government Bonds

Initial Margin delivered in the form of Japanese Government Bond shall be kept in either of the following forms of custody and separating from the JSCC's proprietary assets, and shall be managed on the accounting book by each Clearing Customer:

- a. Record in a segregated account opened and maintained in the name of JSCC with the Bank of Japan under the JGB book-entry transfer system operated by the Bank of Japan; or
- b. Trust to a bank which operates trust business.

(3) US Treasuries

Initial Margin delivered in the form of US Treasuries shall be kept in either of the following forms of custody and by separating from the JSCC's proprietary assets, assets under management of JSCC in other clearing business accounts and the clearing deposit deposited by the Clearing Participant, and shall be managed on the accounting book by each Clearing Customer:

- a. Record in an account opened in the name of JSCC with a bank located in the City of New York, the State of New York, the United States of America; or
- b. Trust to a bank which operates trust business.

3 Notwithstanding the provisions of Paragraphs 1 and 2 above, if a notification of such effect is received from a Clearing Participant or a Clearing Customer, the manner to be prescribed by JSCC under Paragraph 1 of Article 88 of the Business Rules related to Cash deposited by the Clearing Participant or the Clearing Customer as CDS Clearing Fund, Initial Margin and Default Contingent Margin shall be the manner to keep it by separating from JSCC's proprietary assets and assets under management of JSCC for other clearing businesses in the

form of custody of a deposit in the current account opened in the name of JSCC at the Bank of Japan, which is designated by JSCC, and to manage it on the accounting book for each Clearing Participant or Clearing Customer and by the type of Clearing Deposit; provided, however, that the amount of Cash to be held in the manner set forth in this Paragraph shall not be more than the cap prescribed by JSCC in a notification or a public notice, and the portion of such Cash exceeding the cap, if any, shall be held in the manner set forth in Paragraph 1.(1).b or Paragraph 2.(1).b. by separating it according to the classification set forth in Paragraphs 1 and 2, and to manage it on the accounting book kept separately for each Clearing Participant or Clearing Customer and by the type of Clearing Deposit.

- 4 The provisions of Paragraph 3 above shall not apply in the case where the current account JSCC may designate does not exist.
- 5 The notification to be submitted by a Clearing Participant or a Clearing Customer as set forth in Paragraph 3 and any withdrawal thereof shall be made in advance in a manner prescribed by JSCC in a notification or a public notice.

(Article 52-3 Clearing Deposit Management)

- 1 The management carried out by JSCC as set forth in Paragraph 2 of Article 88 of the Business Rules in respect of CDS Clearing Fund, Initial Margin and Default Contingent Margin deposited in cash by Clearing Participants and Clearing Customers with JSCC which is under management pursuant to Item (1), b. of Paragraph 1 of the immediately preceding Article and Item (1), b. of Paragraph 2 of the same Article will be carried out via any of the following mechanisms:
 - (1) Secured call loan to financial institutions;
 - (2) Loan to the bank engaging in trust business which has accepted trust of CDS Clearing Fund, Initial Margin and Default Contingent Margin; or
 - (3) Ordinary deposit with the bank engaging in trust business which has accepted trust of CDS Clearing Fund, Initial Margin and Default Contingent Margin.

(Article 52-4 Treatment of Profit or Loss from Management of Clearing Deposit)

- 1 The amount of interest set forth in Paragraph 4 of Article 88 of the Business Rules shall be determined by prorating the remaining profit earned from the management after payment of the amount specified by JSCC in a public notice according to the average, over the period designated by JSCC in a public notice, of the sum of CDS Clearing Fund, Initial Margin and Default Contingent Margin deposited with JSCC in cash by the Clearing Participant or the Clearing Customer (other than those held in the form of a custody of a deposit in the current account opened in the name of JSCC at the Bank of Japan pursuant to the provisions of Paragraph 3 of Article 52-2).
- 2 JSCC shall pay interest calculated according to the provisions of the immediately preceding Paragraph to Clearing Participants and Clearing Customers. Interest payable to a Clearing

Customer shall be paid to the Clearing Participant on Customer Account for such Clearing Customer, which shall then pay the entire amount of interest received from JSCC as interest payable to the Clearing Customer to the relevant Clearing Customer as interest calculated pursuant to the provisions of the immediately preceding Paragraph.

- 3 A Clearing Participant's or Clearing Customer's share of loss set forth in Paragraph 5 of Article 88 of the Business Rules shall be determined by prorating such loss according to the sum of CDS Clearing Fund, Initial Margin and Default Contingent Margin deposited with JSCC in cash by the Clearing Participant or the Clearing Customer (other than those held in the form of custody of a deposit in the current account opened in the name of JSCC at the Bank of Japan pursuant to the provisions of Paragraph 3 of Article 52-2) as of the date and time specified by JSCC in a public notice.
- 4 Under Paragraph 6 of Article 88 of the Business Rules, JSCC shall prorate the Clearing Participant's or Clearing Customer's share of loss obtained pursuant to the provisions of the immediately preceding Paragraph according to CDS Clearing Fund, Initial Margin and Default Contingent Margin deposited with JSCC in cash by the Clearing Participant or the Clearing Customer as of the date and time set forth in the immediately preceding Paragraph, and apply CDS Clearing Fund, Initial Margin and Default Contingent Margin deposited in cash with JSCC to the payment of such loss.

Chapter 7 Settlement, etc.

(Article 53 Circumstances Where Material Matters concerning Credit Events is decided in Accordance with Determination of JSCC Determination Committee)

The circumstances prescribed by JSCC as set forth in Paragraph 3 of Article 81 of the Business Rules shall be that the relevant Clearing Contract is terminated pursuant to Appendix 3.

(Article 54 Method of Credit Event Notice)

The method of Credit Event Notice as set forth in Paragraph 5 of Article 83 of the Business Rules shall be as follows:

- (1) When the JSCC Determination Committee determines occurrence of an event constituting a Credit Event (which shall be limited only to Restructuring; the same shall apply in this Article) and the Clearing Participant which is a party to a Clearing Contract (which shall be limited only to 2003 Version Clearing Contract) referring to the Reference Entity for which such event has occurred (or its Obligations) sends the Credit Event Notice in relation to such Clearing Contract, such Credit Event Notice shall be given to JSCC within twenty one (21) days after the date of the determination.
- (2) A Credit Event Notice shall be given via TIW. Provided, however, if TIW is not available, or when the occurrence of the Credit Event is determined by the JSCC Determination Committee, the method of giving the Credit Event Notice shall be prescribed by JSCC from time to time.
- (3) In addition to the preceding two Items, matters necessary to prescribe in connection

with the method of Credit Event Notice shall be specified by way of notification to Clearing Participants from JSCC.

(Article 55 Date, etc. of Payment of Money, etc. in Auction Settlement)

Any Money, etc. payable in an Auction Settlement in the amount equal to the Auction Settlement Amount shall be paid in the following manner:

- (1) The Clearing Participant which is the Seller under the Clearing Contract, which is the subject of the Auction Settlement, shall pay the amount of money equal to the Auction Settlement Amount to JSCC by 11:00 a.m. of the Auction Settlement Date of such Clearing Contract; and
- (2) JSCC shall pay the amount of money equal to the Auction Settlement Amount to the Clearing Participant which is the Buyer under the Clearing Contract which is the subject of the Auction Settlement, after 1:30 p.m. of the Auction Settlement Date referred to in the preceding Item without delay.

(Article 56 Method, etc. of Physical Settlement)

When a Credit Event Announcement relating to a Credit Event applicable to a Clearing Contract has occurred and Physical Settlement is applied to such Clearing Contract as the Fallback Settlement Method, JSCC and the Clearing Participant both as parties to the Clearing Contract shall execute the Physical Settlement in accordance with the provisions of Appendix 3.

(Article 57 Circumstances Where Succession Date, etc. is decided in Accordance with Determination of JSCC Determination Committee)

The circumstances prescribed by JSCC as set forth in Paragraph 3 of Article 84 of the Business Rules shall be that the Final Price under the Auction Settlement is determined in respect of a Clearing Contract referring to the Reference Entity for which a Succession Date, etc. has been decided to have occurred, or that such Clearing Contract is terminated pursuant to Appendix 3.

Chapter 8 Miscellaneous Provisions

(Article 58 Delegation of Operations)

- 1 The administrative works specified by JSCC as set forth in Paragraph 1 of Article 118 of the Business Rules shall be those related to calculation of clearing prices pursuant to the provisions of Paragraphs 1 and 2 of Article 75 of the Business Rules.
- 2 The entity designated by JSCC as set forth in Paragraph 1 of Article 118 of the Business Rules shall be Markit Group Limited.

(Article 59 Method of Notification, etc.)

- 1 The method of notification prescribed by JSCC as set forth in Article 125 of the Business Rules shall be as follows:

- (1) For notification to all Clearing Participants when Target-JSCC Site is available:

The notification shall be given via Target-JSCC Site

- (2) For notification to all Clearing Participants when Target-JSCC Site is not available:
The notification shall be given by way of despatch of written document or facsimile transmission
- (3) For notification to some of Clearing Participants:
The notification shall be given by way of despatch of written document or facsimile transmission or e-mail transmission

- 2 Notwithstanding the provisions of the preceding Paragraph, if any of the Business Rules, etc. provides for the method of notification to Clearing Participants otherwise, such method shall be applied, provided however, in the case where such method is not available, JSCC shall make notification to the Clearing Participants by the method set forth in Item 3 of the preceding Paragraph.
- 3 The method of giving public notice and public announcement prescribed by JSCC as set forth in Article 125 of the Business Rules shall be posting on the JSCC website.

(Article 59-2 Provisions Prescribed by JSCC)

The provisions prescribed by JSCC as stipulated in Item 3, Paragraph 3 of Article 126 of the Business Rules shall be the provisions set forth in Appendix 3 (excluding Items (1)c. and (1)d. of Paragraph 2 and Item 2 of the same Paragraph in the said Appendix).

(Article 59-3 Custody of Clearing Participant Agreement, etc.)

- 1 JSCC shall keep an executed copy of Clearing Participant Agreement and the letter of undertaking referred to in Paragraph 2 of Article 42 of the Business Rules (hereinafter referred to as the “Clearing Participant Agreement, etc.” in this Article) as a document certifying that a Clearing Participant or Clearing Customer which is a party to an Underlying Transaction of Clearing Brokerage has agreed that a Clearing Participant on Customer Account or Clearing Customer which is a Financial Instruments Business Operator engaging in securities services (but limited only to those engaging in Type I financial instruments business) (hereinafter referred to as the “Discloser/Recipient” in this Article) may receive any information related to the Underlying Transaction of Clearing Brokerage from the Clearing Customer or Clearing Participant on Customer Account which is a counterparty to the relevant Clearing Brokerage Agreement or make available such information to such Clearing Customer or Clearing Participant on Customer Account, and JSCC shall keep such Clearing Participant Agreement, etc. for the benefit of the Discloser/Recipient.
- 2 The method of custody of the Clearing Participant Agreement, etc. in accordance with the preceding Paragraph, response to any inquiry which may be received from the Discloser/Recipient in relation to the Clearing Participant Agreement, etc. and other necessary matters shall be prescribed by JSCC through notification or public notice.

(Article 59-4 Representation regarding Registration as an FCM or Other Status)

When a Clearing Participant falls under any of the following statuses, it shall submit

representation to JSCC in advance as prescribed in a public notice;

- (1) where such Clearing Participant intends to be registered as an Futures Commission Merchant as set forth in U.S. Commodity Exchange Act (“FCM”) or deregistered as an FCM;
- (2) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant intends to be registered as an FCM or be deregistered as an FCM, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with an FCM;
- (3) where such Clearing Participant will become itself a U.S. Person as set forth in the Interpretive Guidance and Policy Statement regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292 (July 26, 2013) as amended or supplemented by the U.S. Commodity Futures Trading Commission (“CFTC”) from time to time (“U.S. Person”), or ceases to be a U.S. Person; or
- (4) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant will become a U.S. Person or ceases to be a U.S. Person, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with a U.S. Person.

(Article 59-5 Reporting Terms and Conditions of Clearing Contracts)

- 1 Pursuant to Section (9) (a) of the Amended Order of Exemption from Registration dated May 15, 2017 issued by CFTC under U.S. Commodity Exchange Act Section 5b(h) (hereinafter referred to as the “Amended Exemption Order”), JSCC shall report to CFTC on each JSCC Business Day information on Required Initial Margin, Initial Margin deposited amount, Required Variation Margin and other information concerning the Clearing Contracts of U.S. Persons.
- 2 Pursuant to Section (9) (b) of the Amended Exemption Order, JSCC shall report to CFTC quarterly information on Notional Amount and other information concerning the Clearing Contracts of U.S. Persons.
- 3 Pursuant to Section (10) of the Amended Exemption Order, JSCC shall report to Swap Data Repository (as such term defined in Commodity Exchange Act Section 1a (48)) (hereinafter referred to as “SDR”) information on parties to Clearing Contracts (and, for a Clearing Contract (Customer Account), Clearing Customer which is the party to the Clearing Brokerage Contract corresponding to the relevant Clearing Contract (Customer Account)), Notional Amounts and other information on Clearing Contracts.
- 4 Clearing Participants shall not file reports related to Clearing Contracts under Code of Federal Regulations TITLE 17 Commodity and Securities Exchanges CHAPTER I COMMODITY FUTURES AND TRADING COMMISSION Part45 to SDR.
- 5 Clearing Brokers shall make efforts to prevent its Customers from filing reports set forth in

Paragraph 4 above related to Clearing Contracts subject to Brokerage (as such term defined in Article 2.(1) of Exhibit Form 3 “CDS Clearing Brokerage Agreement”) to SDR.

(Article 60 Determination of Necessary Matters concerning CDS Clearing Business)

JSCC may specify administrative procedures and other details in relation to the matters set forth in the Business Rules, etc. from time to time by way of issuance of notification or public notice.

Supplementary Provisions

- 1 These CDS Procedures shall come into force as of 19 July 2011 (hereinafter referred to as “Date of Enforcement”).
- 2 JSCC may take necessary procedures and perform any other acts and things in relation to the actions listed in each Item of Paragraph 2 of the supplementary provisions of the Business Rules even before the Date of Enforcement pursuant to the applicable provisions of these CDS Procedures.
- 3 Notwithstanding the provisions of Article 19 of these CDS Procedures, the amount of fee for CDS Clearing Qualification shall be JPY 0 in respect of any Applicant to which JSCC has approved acquisition of such CDS Clearing Qualification before lapse of six (6) months from the Date of Enforcement.
- 4 Article 50 of these CDS Procedures shall not apply until lapse of six (6) months from the Date of Enforcement

Supplementary Provisions

These revised Rules shall come into force as of 30 January 2012.

Supplementary Provisions

These revised Rules shall come into force as of 1 March 2012.

Supplementary Provisions

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

Supplementary Provisions

- 1 These revised Rules shall come into force as of 23 July 2012 (hereinafter referred to as the “Date of Enforcement”).
- 2 Any Clearing Participant Agreement entered into prior to the Date of Enforcement shall be

deemed to have been executed in the form of Exhibit Form 2 attached to the Handling Procedures of CDS Business Rules hereby revised (hereinafter referred to as the the “New Rules”).

- 3 Any letter of undertaking referred to in Paragraph 2 of Article 42 of the CDS Clearing Business Rules which has been submitted by a Clearing Customer to JSCC prior to the Date of Enforcement shall be deemed to have been submitted by such Clearing Customer to JSCC in the form of Exhibit Form 4 attached to the New Rules.

Supplementary Provisions

These revised Rules shall come into force as of 25 December 2012.

Supplementary Provisions

1. These revised Rules shall come into force as of 31 March 2013.
2. During the period from March 31, 2013 to March 30, 2014, in applying Article 31, Paragraph 3, Item 1, Article 31, Paragraph 6, Item 1 and Article 31, Paragraph 8, Item 2, all as amended, the references to “5.625%” in Article 31, Paragraph 3, Item 1, a., Article 31, Paragraph 6, Item 1, a. and Article 31, Paragraph 8, Item 2, a. shall be read as “4.375%,” and the references to “7.5%” in Article 31, Paragraph 3, Item 1, b., Article 31, Paragraph 6, Item 1, b. and Article 31, Paragraph 8, Item 2, b. shall be read as “5.625%.”
3. During the period from March 31, 2014 to March 30, 2015, in applying Article 31, Paragraph 3, Item 1, Article 31, Paragraph 6, Item 1 and Article 31, Paragraph 8, Item 2, all as amended, the references to “5.625%” in Article 31, Paragraph 3, Item 1, a., Article 31, Paragraph 6, Item 1, a. and Article 31, Paragraph 8, Item 2, a. shall be read as “5%,” and the references to “7.5%” in Article 31, Paragraph 3, Item 1, b., Article 31, Paragraph 6, Item 1, b. and Article 31, Paragraph 8, Item 2, b. shall be read as “6.875%.”

Supplementary Provisions

These revised Rules shall come into force as of 19 August 2013.

Supplementary Provisions

These revised Rules shall come into force as of 25 November 2013.

Supplementary Provisions

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

Supplementary Provisions

These revised Rules shall come into force as of 28 February 2014.

Supplementary Provisions

These revised Rules shall come into effect 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 2 June 2014.

Supplementary Provisions

These revised Rules shall come into force as of 25 August 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 25 November 2014.

Supplementary Provisions

These revised Rules shall come into effect on the date designated by JSCC.

Note: The date designated by JSCC is November 29, 2014.

Supplementary Provisions

- 1 These revised Rules shall come into force as of 15 December 2014 (hereinafter referred to as “Enforcement Date”).
- 2 Clearing Participants who have been granted the Designation under the pre-revised provision of Paragraph 2 of Article 48 as of the day immediately preceding the Enforcement Date will be deemed to have been granted the Designation for Index CDS Transactions in accordance with the revised provision of Paragraph 2 of Article 48 on the Enforcement Date.
- 3 The provisions of Article 50 of the Handling Procedures of CDS Business Rules shall not be applied to quotes for Single Name CDS Transactions for a period of nine months from the Enforcement Date.

Supplementary Provisions

These revised Rules shall come into force as of 25 May 2015.

Supplementary Provisions

These revised Rules shall come into force as of 29 May 2015.

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 51, 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.

Supplementary Provisions

These revised Rules shall come into force as of 24 November 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” set forth in Article 38 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 23 May 2016.

Supplementary Provisions

These revised Rules shall come into force as of 31 August 2016.

Supplementary Provisions

These revised Rules shall come into force as of 28 November 2016.

Supplementary Provisions

These revised Rules shall come into force as of 27 February 2017.

Supplementary Provisions

- 1 These amendments shall come into force as of March 24, 2017.
- 2 Notwithstanding Paragraph 1 above, effective only on March 24, 2017, Article 59-4 as amended shall be replaced with the following:

Article 59-4. Representation regarding Registration as an FCM or Other Status

When a Clearing Participant falls under any of the following statuses, it shall submit representation to JSCC promptly as prescribed in a public notice;

- (1) where such Clearing Participant intends to be registered as an Futures Commission Merchant as set forth in U.S. Commodity Exchange Act ("FCM") or be deregistered as an FCM, or is registered as an FCM;
- (2) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant intends to be registered as an FCM or be deregistered as an FCM, or is registered as an FCM, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with an FCM;
- (3) where such Clearing Participant will become itself a U.S. Person as set forth in the Interpretive Guidance and Policy Statement regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292 (July 26, 2013) as amended or supplemented by the U.S. Commodity Futures Trading Commission from time to time ("U.S. Person"), is a U.S. Person, or ceases to be a U.S. Person; or
- (4) where an Affiliated Customer or Unaffiliated Customer which has entered into a Clearing Brokerage Agreement with such Clearing Participant will become a U.S. Person, is a U.S. Person, or ceases to be a U.S. Person, or where such Clearing Participant intends to enter into a Clearing Brokerage Agreement with a U.S. Person.

Supplementary Provisions

These revised Rules shall come into force as of 29 May 2017.

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 28 August 2017.

Supplementary Provisions

These revised Rules shall come into force as of 1 November 2017.

Supplementary Provisions

These revised Rules shall come into force as of 27 November 2017.

Supplementary Provisions

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

Supplementary Provisions

These revised Rules shall come into force as of 28 May 2018.

Supplementary Provisions

These revised Rules shall come into force as of 27 August 2018.

Supplementary Provisions

These revised Rules shall come into force as of 26 November 2018.

Supplementary Provisions

These revised Rules shall come into force as of 25 February 2019.

Supplementary Provisions

1. These amendments shall come into force as of April 1, 2019.
2. The notification from a Clearing Participant or a Customer set forth in Paragraph 5 of Article 52-2 may be submitted as prescribed in the amended rules before the effective date of these amendments.
3. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after April 1, 2019.

Supplementary Provisions

These revised Rules shall come into force as of 1 May 2019.

Supplementary Provisions

These revised Rules shall come into force as of 27 May 2019.

Supplementary Provisions

These revised Rules shall come into force as of 25 November 2019.

Supplementary Provisions

1. These revised Rules shall come into force as of 27 January 2020.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as a change of the date on which the amendment to ISDA Credit Derivatives Definitions becomes effective, these amendments shall come into force as of the date designated by JSCC which is on or after 27 January 2020.

Supplementary Provisions

These revised Rules shall come into force as of 1 June 2020.

Supplementary Provisions

These revised Rules shall come into force as of 24 August 2020.

Supplementary Provisions

These revised Rules shall come into force as of 24 November 2020.

Supplementary Provisions

These revised Rules shall come into force as of 14 December 2020.

Supplementary Provisions

These revised Rules shall come into force as of 24 May 2021.

Supplementary Provisions

These revised Rules shall come into force as of 30 August 2021.

Supplementary Provisions

These revised Rules shall come into force as of 21 February 2022.

Supplementary Provisions

These revised Rules shall come into force as of 23 May 2022.

Supplementary Provisions

These revised Rules shall come into force as of 22 August 2022.

Supplementary Provisions

These revised Rules shall come into force as of 21 November 2022.

Supplementary Provisions

These revised Rules shall come into force as of 13 February 2023.

Supplementary Provisions

These revised Rules shall come into force as of 21 August 2023.

Supplementary Provisions

These revised Rules shall come into force as of 20 November 2023.

Supplementary Provisions

1. These amendments shall come into force as of March 4, 2024.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Clearing Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after March 4, 2024.

<Appendix 1> Schedule of Substitute Prices of Substitute Securities

| Type of Substitute Securities | | Market Price (*1) | Market Price Multiplier (*2) |
|-------------------------------|--|---|--|
| Japanese Government Bonds | whose over-the-counter trading reference prices are published by the Japan Securities Dealers Association | Average of the over-the-counter trading reference prices | (1) Interest-bearing Japanese government bond and discount government bond (excluding government bond with floating rate and STRIPs) |
| | Which are listed on a domestic financial instruments exchange, but whose over-the-counter trading reference prices are not published | The closing price (*4) on the financial instruments exchange (*3) | a. Years to maturity of less than 1 year: 99% b. Years to maturity over 1 year and less than 5 years: 98% c. Years to maturity over 5 year and less than 10 years: 98% d. Years to maturity over 10 year and less than 20 years: 96% e. Years to maturity over 20 year and less than 30 years: 93% f. Years to maturity over 30 years: 92% (2) Government bond with floating rate a. Years to maturity of less than 1 year: 99% b. Years to maturity over 1 year and less than 5 years: 99% c. Years to maturity over 5 year and less than 10 years: 99% d. Years to maturity over 10 year and less than 20 years: 99% (3) STRIPs a. Years to maturity of less than 1 year: 99% b. Years to maturity over 1 year and less than 5 years: 98% |

| | | | |
|---------------|--|--|---|
| | | | c. Years to maturity over 5 year and less than 10 years: 98% d. Years to maturity over 10 year and less than 20 years: 96% e. Years to maturity over 20 year and less than 30 years: 93% f. Years to maturity over 30 years: 91% |
| US Treasuries | | The final indicative market price on the New York market on the previous day converted into Japanese Yen by the TTB rate vis-à-vis customers on the Tokyo Foreign Exchange Market of two days before | (1) Years to maturity of less than 1 year: 94% (2) Years to maturity over 1 year and less than 5 years: 92% (3) Years to maturity over 5 year and less than 10 years: 91% (4) Years to maturity over 10 year and less than 20 years: 89% (5) Years to maturity over 20 year and less than 30 years: 88% (6) Years to maturity over 30 years: 88% |

- (*1) The market price on two days before delivery or deposit of the Substitute Securities (or the day immediately preceding such day if such day is a Business Holiday; such business day convention shall apply in respect of each such day).
- (*2) In the case where JSCC has reduced the multiplier in order to change to substitute price pursuant to the provisions of Article 7 of the Business Rules, such reduced multiplier shall apply.
- (*3) In respect of an issue that is listed on multiple financial instruments exchanges, the financial instruments exchange shall be selected in accordance with the order of priority prescribed by JSCC.
- (*4) In the case where a final quote is posted on the applicable financial instruments exchange, “closing price” means such final quote.

<Appendix 2> Method for Calculation of Required Initial Margin Amount

1. Required Initial Margin Amount of Clearing Contract (Own Account)

The Required Initial Margin Amount of a Clearing Contract (Own Account) shall be the sum of each amount calculated for each Proprietary Transaction Account in accordance with the following formula; provided, however, if JSCC deems it necessary to do so taking the market conditions into account, JSCC may temporarily change such amount. Definitions of the terms used in the formula shall be as set forth in a. through f. after the formula:

Required Initial Margin Amount for Clearing Contract (Own Account)

= Initial Margin Base Amount
+ Short Charge
+ Bid & Offer Charge
+ Credit Event Margin
+ Single Name Margin
+ Short Charge (Itself as Reference Entity)

a. "Initial Margin Base Amount" shall be calculated as follows:

- (a) As for each issue of Clearing Contract in each Proprietary Transaction Account, 5 day-estimated spread fluctuation value calculated based on the rate of change in day-to-day spread of each issue is calculated for last 750 JSCC Business Days starting from the date of calculation.
- (b) As for each issue of Clearing Contract in each Proprietary Transaction Account, 10 day-estimated spread fluctuation value is calculated based on the rate of change which JSCC determines through its public notice as extremely large fluctuation.
- (c) With the assumption that the estimated spread fluctuations set forth in (a) and (b) above take place, changes in the Net Present Value of the Clearing Contracts in each Proprietary Transaction Account are calculated.
- (d) The total amount of the changes in the Net Present Values set forth in (c) above for all Clearing Contracts in such account is calculated respectively for each account on the date of calculation.
- (e) Find the cases of 7 largest absolute value of the negative number in such Net Present Value and take the average of the amount of such decline to find the Initial Margin Base Amount.

b. "Short Charge" shall be calculated as follows.

- (a) In respect of Clearing Contracts in each Proprietary Transaction Account, the net short position in respect of each Reference Entity^{*1} is calculated.
- (b) Find the case of the largest net short position amount set forth in (a) above and multiply the ratio prescribed by JSCC in a public notice by such amount to obtain the amount of Short Charge; provided, however, that if Short Charge (Itself as Reference Entity) is applied to such Reference Entity, the amount of Short Charge shall be zero.

(*1 refers to the amount obtained by subtracting the total long Notional Amount in respect of the relevant Reference Entity of the issue from the total short Notional Amount of such; provided that in the case specified by JSCC in a public notice, it shall be such amount related to Clearing Contracts other than 2003 Version Clearing Contracts (only when JSCC deems it necessary from risk management point of view in the situation that falls on the cases specified by JSCC in a public notice as significant deterioration of creditworthiness of such Reference Entity or upon Clearing Participants' request))

- c. "Bid & Offer Charge" shall be calculated as follows:
- (a) In respect of Clearing Contracts in each Proprietary Transaction Account, net short amount^{*2} in respect of each issue and net long amount^{*3} in respect of each issue are calculated.
 - (b) Multiply the bid & offer spread base value which JSCC determines through its public notice taking the market conditions into account to the net short amount and the net long amount set forth in (a) above and calculate the total amount of such products to obtain the Bid & Offer Charge.

(*2 refers to the amount obtained by subtracting the total long Notional Amount of Clearing Contracts in respect of an issue from the total short Notional Amount of such)

(*3 refers to the amount obtained by subtracting the total short Notional Amount of Clearing Contracts in respect of an issue from the total long Notional Amount of such)

- d. "Credit Event Margin" shall be calculated, in the case where a Credit Event in respect of a Reference Entity is determined, during the period specified by JSCC on each applicable occasion, by multiplying the ratio JSCC prescribes on each applicable occasion taking the market conditions into account by the net short amount^{*4} of the Clearing Contracts referring to such Reference Entity in each Proprietary Transaction Account.

(*4 refers to the amount obtained by subtracting the total long Notional Amount of the issue in respect of the relevant Reference Entity from the total short Notional Amount of such)

- e. "Single Name Margin" shall be calculated, in the case where a Credit Event^{*5} in respect of a Reference Entity is determined, during the period specified by JSCC on each applicable occasion, in respect of the net short amount^{*6} of the Clearing Contracts (which shall be limited only to 2003 Version Clearing Contracts: the same applies in this e.) referring to such Reference Entity in each Proprietary Transaction Account and the net long amount^{*7} of such respectively as follows:

- (a) In the case there is a net short amount in respect of the Clearing Contracts which refer to the Reference Entity for which Credit Event is determined
The Single Name Margin shall be the amount obtained by multiplying such net short amount by the ratio JSCC prescribes on each applicable occasion taking the market conditions into account
- (b) In the case there is a net long amount in respect of the Clearing Contracts which

refer to the Reference Entity for which Credit Event is determined

The Single Name Margin shall be the amount equivalent to the present value of the total amount of the Fixed Amount^{*8} in respect of the Clearing Contracts

(*⁵ limited to Restructuring)

(*⁶ refers to the amount obtained by subtracting the total long Notional Amount of the issue in respect of the relevant Reference Entity from the total short Notional Amount of such)

(*⁷ refers to the amount obtained by subtracting the total short Notional Amount of the issue in respect of the relevant Reference Entity from the total long Notional Amount of such)

(*⁸ limited to those not due yet)

- f. The Short Charge (Itself as Reference Entity) shall be the amount equivalent to the Notional Amount of the net short positions of Clearing Contracts (limited to Single Name CDS Contracts) of a Clearing Participant which refer to the Clearing Participant itself as a result of a merger or for any other reason.

2. Required Initial Margin Amount in respect of Clearing Contract (Customer Account)

The Required Initial Margin Amount of a Clearing Contract (Customer Account) shall be the total amount of the amount calculated using the formula set forth in Paragraph 1 above in respect of each Customer Transaction Account. In such case, “each Proprietary Transaction Account” referred to therein shall be replaced with “each Customer Transaction Account.” Provided, however, if JSCC deems it necessary to do so taking the market conditions into account, JSCC may temporarily change such amount.

<Appendix 3> Method for Physical Settlement

1 Definitions

As used in this Appendix 3, the following terms shall have the following meanings respectively.

- (1) “PS Covered Contract” means a (i) Clearing Contract in respect of which a Credit Event Announcement relating to an applicable Credit Event (other than a Restructuring in the case of 2003 Version Clearing Contracts) has occurred, and the method of settlement has become the Fallback Settlement Method due to the occurrence of one of the events in Section 6.1 of the ISDA Credit Derivatives Definitions (or Section 12.1 of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts), or (ii) 2003 Version Clearing contract in respect of which a Credit Event Announcement relating to a Restructuring Credit Event has occurred, an Event Determination Date has occurred as a result of the effective delivery of a Credit Event Notice by the Notifying Party and the method of settlement has become the Fallback Settlement Method due to the occurrence of one of the events in Section 12.1 of the ISDA Credit Derivatives Definitions (2003 Version).
- (2) “Applicable Deliverable Obligations” means Deliverable Obligations to be Delivered by the Matched CDS Buyer to the Matched CDS Seller under the Matched CDS Contract (defined in Item (1) c. of the following Paragraph) in accordance with its terms.

2 Physical Settlement Allocation of Buyers and Sellers

- (1) Following the occurrence of a Credit Event Announcement relating to an applicable Credit Event in respect of a Clearing Contract, JSCC will, where Physical Settlement applies as the Fallback Settlement Method to the Clearing Contract, carry out the following steps:
 - a. JSCC will, for each Clearing Participant, calculate and determine the net open position(s) for the Clearing Participant's PS Covered Contracts as follows:
 - (a) The calculation of the net open position(s) of a Clearing Participant will be made separately for (a) the PS Covered Contracts which are Clearing Contracts (Own Account) of the Clearing Participant (or, where one or more Sub-Accounts exist for the Clearing Participant, in respect of each of its Sub Accounts created under Paragraph 4 of Article 59 of the Business Rules (each a “Sub Account”), the PS Covered Contracts which are Clearing Contracts (Own Account) of the Clearing Participant belonging to each such Sub Account), and (b) the PS Covered Contracts which are Clearing Contracts (Customer Account) of each Clearing Customer of the Clearing Participant (each such net open position so determined, an “Open Position”) as follows:
 - (A) Where no Sub Accounts exist for the Clearing Participant, in

respect of the Clearing Participant's PS Covered Contracts which are the Clearing Contracts (Own Account), JSCC will determine the Clearing Participant's Open Position as the difference between (x) the sum of all the Floating Rate Payer Calculation Amounts of all its PS Covered Contracts which are Clearing Contracts (Own Account) and in respect of which the Clearing Participant is the Buyer and (y) the sum of all the Floating Rate Payer Calculation Amounts of all its PS Covered Contracts which are Clearing Contracts (Own Account) and in respect of which the Clearing Participant is the Seller.

- (B) If one or more Sub-Accounts exist for the Clearing Participant, in respect of the Clearing Participant's PS Covered Contracts which are the Clearing Contracts (Own Account), JSCC will determine the Clearing Participant's Open Position separately for each of the Clearing Participant's Sub Accounts as the difference between (x) the sum of all the Floating Rate Payer Calculation Amounts of all its PS Covered Contracts which are Clearing Contracts (Own Account) belonging to a Sub Account and in respect of which the Clearing Participant is the Buyer and (y) the sum of all the Floating Rate Payer Calculation Amounts of all its PS Covered Contracts which are Clearing Contracts (Own Account) belonging to the same Sub Account and in respect of which the Clearing Participant is the Seller.
- (C) In respect of the Clearing Participant's PS Covered Contracts which are Clearing Contracts (Customer Account), JSCC will determine the Clearing Participant's Open Position separately for each of the Clearing Participant's Clearing Customers as the difference between (x) the sum of all the Floating Rate Payer Calculation Amounts of all its PS Covered Contracts which are the Clearing Contracts (Customer Account) and in respect of which the Clearing Participant is the Buyer for the benefit of the Clearing Customer and (y) the sum of all the Floating Rate Payer Calculation Amounts of all its PS Covered Contracts which are the Clearing Contracts (Customer Account) and in respect of which the Clearing Participant is the Seller for the benefit of the same Clearing Customer.
- (b) In respect of the Open Position of the Clearing Participant's Clearing Contracts (Own Account) (or each Open Position of the Clearing Participant for each of its Sub Accounts, if the same are opened in accordance with Paragraph 4 of Article 59 of the Business Rules), and each Open Position of the Clearing Participant's Clearing Contracts (Customer Account) for each of its Clearing Customers, JSCC will determine whether the Open Position is a net position as a protection buyer under CDS Transactions (each such Open Position, a "CDS Buyer Position" in respect of which the Clearing Participant is a "CDS Buyer") or a net position as a protection seller under CDS Transactions

(each such Open Position, a “CDS Seller Position” in respect of which the Clearing Participant is the “CDS Seller”) based on the result of the calculations made under (a) above.

- b. JSCC will match the CDS Seller Position(s) of each CDS Seller with the CDS Buyer Position(s) of one or more CDS Buyers (each matched CDS Buyer in respect of a CDS Buyer Position and CDS Seller in respect of a CDS Seller Position, a “Matched Pair”) such that the CDS Seller Position(s) related to each CDS Seller are fully allocated to one or more CDS Buyers. For the avoidance of doubt, a Clearing Participant may be matched with itself in respect of (a) its Open Position in respect of its Clearing Contracts (Own Account) and an opposite Open Position of the Clearing Participant in respect of Clearing Contracts (Customer Account) for a Clearing Customer or (b) its Open Position in respect of Clearing Contracts (Customer Account) for a Clearing Customer and an opposite Open Position of the Clearing Participant in respect of Clearing Contracts (Customer Account) for another Clearing Customer (a “Self Matched Pair”). In respect of each Matched Pair JSCC will specify the amount of such Open Position matched for the purposes of such Matched Pair (the “MP Amount”). The matched CDS Buyer and CDS Seller in respect of a Matched Pair are the “Matched CDS Buyer” and “Matched CDS Seller”, respectively, in respect of such Matched Pair.
- c. As a result of the matching to form a Matched Pair, for the purposes of effecting Physical Settlement hereunder only, in respect of a Matched Pair (i) a new CDS Transaction is deemed to be entered into between JSCC as Seller and the Matched CDS Buyer under the Matched Pair as Buyer (a “Matched CDS Buyer Contract”) and (ii) a new CDS Transaction is deemed to be entered into between JSCC as Buyer and the Matched CDS Seller under the Matched Pair as Seller (a “Matched CDS Seller Contract” and together with the Matched CDS Buyer Contract, the “Matched CDS Contracts”). The Matched CDS Buyer Contract and Matched CDS Seller Contract in respect of a Matched Pair will each have a Floating Rate Payer Calculation Amount equal to the MP Amount in respect of the Matched Pair.
- d. If there is an imbalance between CDS Buyers and CDS Sellers, any unmatched CDS Buyer Position of a CDS Buyer or CDS Seller Position of a CDS Seller will be deemed to be matched with JSCC (such CDS Buyer or CDS Seller in such capacity, a “JSCC Matched CDS Buyer” or “JSCC Matched CDS Seller”, respectively). As a result of the deemed matching with JSCC, for the purposes of effecting Physical Settlement under this Appendix 3 only, either (i) a new CDS Transaction is deemed to be entered into between JSCC as Seller and the JSCC Matched CDS Buyer as Buyer (a “JSCC Matched CDS Buyer Contract”) or (ii) a new CDS Transaction is deemed to be entered into between JSCC as Buyer and the JSCC Matched CDS Seller as Seller (a “JSCC Matched CDS Seller Contract”). A JSCC Matched CDS Seller Contract or JSCC Matched CDS Buyer Contract is each referred to as a “JSCC Matched CDS Contract”, and JSCC Matched CDS

Contracts and Matched CDS Contracts are hereinafter collectively referred to as “Matched CDS Contracts, etc.”. A JSCC Matched CDS Contract will have a Floating Rate Payer Calculation Amount equal to the amount of the JSCC Matched CDS Buyer’s Open Position or the JSCC Matched CDS Seller’s Open Position (as the case may be) matched with JSCC. Paragraphs 4 through 9 of this Appendix shall not apply to a JSCC Matched CDS Contract. Any JSCC Matched CDS Buyer Contract shall be directly settled between JSCC and the JSCC Matched CDS Buyer through the Fallback Settlement Method in accordance with its terms. Any JSCC Matched CDS Seller Contract shall be directly settled between JSCC and the JSCC Matched CDS Seller through the Fallback Settlement Method in accordance with its terms.

- e. JSCC will notify each CDS Buyer and CDS Seller of the details of the Matched CDS Contracts, Matched CDS Buyer and Matched CDS Seller and the associated MP Amount, and, if applicable the details of the JSCC Matched CDS Contract and its Floating Rate Payer Calculation Amount (“Matched Pair Notice”).
- (2) When JSCC effectively delivers the Matched Pair Notice to a CDS Buyer and CDS Seller (an “Effective Matching”), the Matched CDS Contract(s) and, if applicable, the JSCC Matched CDS Contract between JSCC and such CDS Buyer or Seller, as applicable are deemed to be effectively created. All PS Covered Contracts will be terminated upon the creation of such Matched CDS Contract(s) and, if applicable, the JSCC Matched CDS Contract.
 - (3) If (1) a Credit Event Announcement has been made in respect of an applicable Credit Event, (2) settlement of the relevant Clearing Contract is to be made pursuant to the Fallback Settlement Method and (3) the JSCC’s decision results in settlement of the relevant Clearing Contracts no longer being required to be made pursuant to the Fallback Settlement Method, then to the extent that JSCC has not by then effectively delivered the Matched Pair Notice, JSCC shall not do so.

3 Terms of Matched CDS Contracts, etc.

- (1) All Matched CDS Contracts shall be deemed to be Clearing Contracts, whose terms and conditions are as set forth below:
 - a. the Business Rules, etc., the ISDA Master Agreement and the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts) (both as amended through these Business Rules, etc.; the same applies in this Appendix) shall be applied to the Matched CDS Contracts. The provisions concerning the governing laws and other provisions of the Business Rules, etc. that are applied to Clearing Contracts and each provision of the ISDA Master Agreement and the ISDA Credit Derivatives Definitions (or the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing contracts) shall form a part of the Matched CDS Contracts. Any technical replacement of words and phrases required for the purpose of such

- b. application shall be prescribed by JSCC through its public notice;
the Reference Entity is the Reference Entity in respect of which the applicable Credit Event has occurred and to which the relevant Credit Event Announcement relates (the “Applicable Reference Entity”);
 - c. Physical Settlement is the applicable Settlement Method;
 - d. the Settlement Currency is Japanese Yen;
 - e. the Calculation Agent City is Tokyo;
 - f. the Event Determination Date is the Credit Event Resolution Request Date determined in respect of the applicable Credit Event or any other day which JSCC decides to be an Event Determination Date based on the determination of the JSCC Determination Committee;
 - g. a Credit Event Notice and Notice of Publicly Available Information are deemed to have been effectively delivered on a timely basis;
 - h. all Fixed Amounts are deemed to have been paid when due;
 - i. the Deliverable Obligations applicable are among those defined in the ISDA Credit Derivatives Definitions (or the ISA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts), where a Final List has been published by ISDA on its Website in respect of the Applicable Reference Entity, each of the Deliverable Obligations included in such Final List, otherwise the Deliverable Obligations determined in accordance with the terms of the Matched CDS Contract;
 - j. the Reference Price is 100%;
 - k. the Calculation Agent is JSCC;
 - l. the Physical Settlement Period in respect of any Deliverable Obligation that is a Loan and the Physical Settlement Period in the case where CDS Buyer notified JSCC (or JSCC notified CDS Seller) its intention to deliver the Asset Package in lieu of previous Deliverable Obligations is 30 Business Days, respectively, and the Physical Settlement Period in respect of all other cases is as determined in accordance with the terms of the Matched CDS Contract; and
 - m. such other terms as may be prescribed by JSCC through its public notice.
- (2) The provisions of the preceding Item shall apply *mutatis mutandis* to the terms of JSCC Matched CDS Contracts, provided that the matters necessary to prescribe in connection with such application shall be prescribed by JSCC through its public notice.

4 Matched Pairs: Designations and Notices

- (1) In respect of each Matched CDS Buyer Contract which is the subject of a Matched Pair, JSCC, pursuant to Section 11.2(c)(iv) of the ISDA Credit Derivatives Definitions (as amended by the Business Rules, etc.; the same interpretation shall apply herein below in this Appendix) (or Section 9.2 (c)(iv) of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts), as designator, shall designate the Matched CDS Seller in such Matched Pair as its designee:
- a. to serve or deliver to the Matched CDS Buyer in the Matched Pair and receive from the Matched CDS Buyer in the Matched Pair, in either case on

- behalf of JSCC any notice in relation to the Matched CDS Buyer Contract (including to receive the Notices of Physical Settlement and any NOPS Amendment Notices);
- b. to pay to the Matched CDS Buyer in the Matched Pair and receive from the Matched CDS Buyer in the Matched Pair, in either case on behalf of JSCC, any amounts in respect of the costs and expenses of settlement due under the Matched CDS Buyer Contract; and
 - c. to take Delivery, on behalf of JSCC, of Deliverable Obligations from the Matched CDS Buyer in the Matched Pair,
- provided that in such case, the Matched CDS Seller shall not be required to be any JSCC's Affiliate (meaning the Affiliate(s) provided for in the ISDA Master Agreement) notwithstanding the provisions of Section 11.2 (c)(iv) of the ISDA Credit Derivatives Definitions (or Section 9.2(c)(iv) of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts).
- (2) The Matched CDS Seller in the Matched Pair referred to in the preceding Item shall be deemed to be notified of the matters set forth in the preceding Item. The Matched CDS Seller shall assume such obligations as designee in relation to each such matter upon effective delivery of the Matched Pair Notice.
 - (3) In respect of each Matched CDS Seller Contract which is the subject of a Matched Pair, JSCC, pursuant to Section 11.2(c)(iv) of the ISDA Credit Derivatives Definitions (Section 9.2(c)(iv) of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts), as designator, shall designate the Matched CDS Buyer in such Matched Pair as its designee:
 - a. to serve or deliver to the Matched CDS Seller in the Matched Pair and receive from the Matched CDS Seller in the Matched Pair, in either case on behalf of JSCC any notice in relation to the Matched CDS Seller Contract (including to deliver the Notices of Physical Settlement and any NOPS Amendment Notices);
 - b. to pay to the Matched CDS Seller in the Matched Pair and receive from the Matched CDS Seller in the Matched Pair, in either case on behalf of JSCC, any amounts in respect of the costs and expenses of settlement due under the Matched CDS Seller Contract; and
 - c. to Deliver, on behalf of JSCC, the relevant Deliverable Obligations to the Matched CDS Seller in the Matched Pair,

provided that in such case, the Matched CDS Buyer shall not be required to be any JSCC's Affiliate notwithstanding the provisions of Section 11.2(c)(iv) of the ISDA Credit Derivatives Definitions (or Section 9.2(c)(iv) of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts).
 - (4) The Matched CDS Buyer in the Matched Pair referred to in the preceding Item shall be deemed to be notified of the matters set forth in the preceding Item. The Matched CDS Buyer shall assume such obligations as designee in relation to each such matter upon effective delivery of the Matched Pair Notice.

- (5) In relation to each Matched Pair:
- a. the exercise of any rights by the Matched CDS Buyer against JSCC under a Matched CDS Buyer Contract shall be deemed to constitute the exercise of equal and simultaneous rights by JSCC against the Matched CDS Seller under the Matched CDS Seller Contract in the relevant Matched Pair;
 - b. the exercise of any rights of the Matched CDS Seller against JSCC under a Matched CDS Seller Contract shall be deemed to constitute the exercise of equal and simultaneous rights by JSCC against the Matched CDS Buyer under the Matched CDS Buyer Contract in the relevant Matched Pair;
 - c. where the Matched CDS Buyer validly delivers or serves any notice to the Matched CDS Seller in accordance with the terms of the Matched CDS Contract and Item (3) of this Paragraph, such notice shall be effective in respect of both the Matched CDS Buyer Contract and the Matched CDS Seller Contract; and
 - d. where the Matched CDS Seller validly delivers or serves any notice to the Matched CDS Buyer in accordance with the terms of the Matched CDS Contract and Item (1) of this Paragraph, such notice shall be effective in respect of both the Matched CDS Buyer Contract and the Matched CDS Seller Contract.
- (6) In the case of a Matched Pair other than a Self Matched Pair, following delivery by a Matched CDS Buyer or Matched CDS Seller of any notice of a nature referred to in Item (1) or (3) of this Paragraph (any such notice, a “MP Notice”), the Clearing Participant that delivered such MP Notice shall deliver a written copy of such MP Notice to JSCC. JSCC will provide a copy of the copy of each MP Notice received by it from a Clearing Participants to the other Clearing Participant forming the Matched Pair. In the case of a Self Matched Pair, any MP Notice shall only be effective when delivered by the Clearing Participant to JSCC.
- (7) The Matched CDS Buyer and Matched CDS Seller in each Matched Pair shall each make such payments and deliveries and deliver such notices and invoices in relation to settlement to one another and to JSCC as are required pursuant to the terms of a Matched CDS Contract, the Business Rules, etc. or applicable laws.
- (8) In respect of any Matched Pair which is a Self Matched Pair and the associated MP Amount, a Clearing Participant who is both the Matched CDS Buyer and Matched CDS Seller:
- a. satisfies its obligations pursuant to this Paragraph for it to serve or deliver or to receive, in each case on behalf of JSCC, any notice (including any Notice of Physical Settlement and NOPS Amendment Notice) only when the Clearing Participant delivers such notice to JSCC;
 - b. is deemed to satisfy its obligations pursuant to this Paragraph to pay or receive, in either case on behalf of JSCC, any amounts in respect of the costs and expenses of settlement due under a Matched CDS Contract when the Clearing Participant delivers notice to JSCC specifying the amount of such costs and expenses;

- c. is deemed to satisfy its obligations pursuant to the terms of the Matched CDS Contract to pay to JSCC or receive from JSCC the full Physical Settlement Amount relating to the MP Amount when the Clearing Participant delivers notice to JSCC pursuant to Paragraph 6; and
- d. is deemed to satisfy its obligations pursuant to this Paragraph to Deliver or accept Delivery, on behalf of JSCC, of Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice in an amount at least equal to the relevant MP Amount when the Clearing Participant delivers notice to JSCC pursuant to Paragraph 6.

5 Physical Settlement of Matched Pairs

- (1) In respect of any Matched Pair other than a Self Matched Pair and the associated MP Amount, Delivery of the Applicable Deliverable Obligations and payment of the related Physical Settlement Amount shall take place as follows and in accordance with the CDS Procedures:
 - a. the Matched CDS Buyer shall notify JSCC that it is ready to Deliver to the Matched CDS Seller the Applicable Deliverable Obligations in an amount at least equal to the MP Amount;
 - b. following receipt of a valid notification under Sub-Item a. above, JSCC shall request that the Matched CDS Seller pay the full Physical Settlement Amount relating to such MP Amount to JSCC;
 - c. following receipt of a request under Sub-Item b. above, the Matched CDS Seller shall transfer the full Physical Settlement Amount relating to the MP Amount to JSCC;
 - d. following receipt of the full Physical Settlement Amount relating to the MP Amount, JSCC shall notify the Matched CDS Buyer that it is holding the full Physical Settlement Amount relating to such MP Amount from the Matched CDS Seller;
 - e. following receipt of the notice under Sub-Item d. above, the Matched CDS Buyer shall Deliver the Applicable Deliverable Obligations to the Matched CDS Seller in an amount at least equal to the relevant MP Amount;
 - f. following its receipt of Delivery of the Applicable Deliverable Obligations, the Matched CDS Seller shall deliver a notice to JSCC in the form required by JSCC from time to time specifying that the Delivery has occurred, in full or, if in part, the percentage of the MP Amount (the “Delivered Percentage”) in respect of which Delivery has occurred;
 - g. following its receipt of a valid notice under Sub-Item f. above, JSCC shall pay an amount equal to the Physical Settlement Amount (where the Matched CDS Seller notified JSCC of Delivery in part only, an amount equal to the Delivered Percentage of the Physical Settlement Amount) received from the Matched CDS Seller in respect of the relevant MP Amount to the Matched CDS Buyer; and
 - h. if the Matched CDS Buyer does not Deliver the Applicable Deliverable Obligations in an amount at least equal to the relevant MP Amount to the Matched CDS Seller within the period specified by JSCC through its public notice for compliance with Sub-Item e. above (“Delivery Period”), the

Matched CDS Seller may request that JSCC repay to the Matched CDS Seller the Physical Settlement Amount in respect of the relevant MP Amount, less the Delivered Percentage of the Physical Settlement Amount, if any. JSCC will repay such amount to the Matched CDS Seller without any interest thereon.

- (2) The process set out in this Paragraph may be repeated in relation to any Applicable Deliverable Obligations not in fact Delivered during a relevant Delivery Period and will be carried out separately for each Matched CDS Contract for which a Clearing Participant is a party.

6 Notice that Physical Settlement is complete

Where, pursuant to their rights and obligations under Matched CDS Contracts, the Matched CDS Seller and Matched CDS Buyer in any Matched Pair (other than a Self Matched Pair) settle any Matched CDS Contract which is to be settled in accordance with the Fallback Settlement Method, the relevant Matched CDS Seller and Matched CDS Buyer shall each deliver a notice to JSCC in the form required by JSCC specifying the payment and Delivery that have occurred in respect of such Matched CDS Contracts. In the case of a Self Matched Pair, the Clearing Participant who is both the Matched CDS Seller and Matched CDS Buyer shall deliver a notice to JSCC in the form required by JSCC specifying that payment and Delivery are deemed to have occurred in respect of its Matched CDS Contracts when any relevant payment and Delivery required to be made between the Clearing Participant and the relevant Clearing Customer(s) have been made. Any such notices shall constitute a representation by the Clearing Participant delivering the notice to JSCC that, so far as it is aware, Physical Settlement has occurred successfully and that there are no outstanding claims known to the Clearing Participant in respect of the Matched CDS Contract (save as is disclosed in the notice) but is otherwise without prejudice to the rights of any party to a Matched CDS Contract in respect of settlement.

7 Failure to pay Physical Settlement Amount

If, in relation to any Matched Pair, a Matched CDS Seller fails to pay all or part of the Physical Settlement Amount to JSCC when, in accordance with the terms of the Matched CDS Contracts, it was obliged to pay such amount (the amount not paid being the “Failed Amount”):

- (1) JSCC shall, as soon as practicable, give notice in writing to the Matched CDS Buyer in the Matched Pair, giving details of the Matched CDS Contracts involved, the failure to pay and the Failed Amount and the amount of any Physical Settlement Amount paid in part;
- (2) such failure to pay, or failure by JSCC to pay the Physical Settlement Amount to the Matched CDS Buyer as a consequence thereof, shall not constitute a breach of contract, event of default or failure to pay by JSCC in any sense (and whether under the Business Rules, etc. or any Matched CDS Buyer Contract);

- (3) the Matched CDS Seller will be deemed to have failed to pay an amount equal to the Failed Amount to JSCC under the relevant Matched CDS Seller Contract;
- (4) the Matched CDS Buyer may send a written notice to JSCC requesting to settle the Matched CDS Buyer Contract by cash settlement. Upon notice being given to JSCC by the Matched CDS Buyer, "Cash Settlement" between the Matched CDS Buyer and JSCC pursuant to the terms set out in Section 9.6 of the ISDA Credit Derivatives Definitions (or Section 9.8 of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts) shall be deemed to apply to the Matched CDS Buyer Contract in respect of the Deliverable Obligations corresponding to the Failed Amount as though:
 - a. the Deliverable Obligations not Delivered were Undeliverable Obligations;
 - b. the Latest Permissible Physical Settlement Date were the date on which the Matched CDS Buyer gave the relevant notice to JSCC pursuant to this Item;
 - c. Indicative Quotations were not applicable; and
 - d. the Matched CDS Buyer were the Calculation Agent,and JSCC and the Matched CDS Buyer will settle the Matched CDS Buyer Contract accordingly and Paragraph 4 will not apply.

8 Fallback to Cash Settlement in respect of Non-Deliverable Obligations

- (1) If a Matched CDS Buyer is not permitted to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the "Non-Deliverable Obligations") specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice to its Matched CDS Seller in the relevant Matched Pair because:
 - a. the amount of such Deliverable Obligation is less than the relevant minimum denomination or minimum Deliverable unit of such Deliverable Obligation; or
 - b. such Matched CDS Seller is not a permitted transferee under such Deliverable Obligation or the Matched CDS Buyer does not obtain any requisite consent in respect of delivery of Loans,such occurrence shall be treated, in relation to both Matched CDS Contracts in respect of the relevant Matched Pair, as an illegality or impossibility outside the parties' control for the purpose of Section 9.1 of the ISDA Credit Derivatives Definitions (or Section 9.3 of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts). The Matched CDS Buyer shall deliver a notice describing in reasonable detail the facts giving rise to such deemed illegality or impossibility to its Matched CDS Seller and JSCC.
- (2) Upon notice being given to JSCC by the Matched CDS Buyer under the preceding Item, "Cash Settlement" pursuant to the terms set out in Section 9.6 of the ISDA Credit Derivatives Definitions (or Section 9.8 of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts) shall be deemed to apply to the Matched CDS Contracts in respect of the relevant Matched Pair related to the Non-Deliverable Obligations as though:

- a. the Non-Deliverable Obligations were Undeliverable Obligations;
- b. the Latest Permissible Physical Settlement Date were the date on which the Matched CDS Buyer gave the relevant notice to JSCC as referred to in the preceding Item;
- c. in the case of Sub-Item b. of the preceding Item, Indicative Quotations were not applicable; and
- d. the Matched CDS Buyer were the Calculation Agent.

JSCC and the Matched CDS Buyer will settle the Matched CDS Buyer Contract by cash settlement, and JSCC and the Matched CDS Seller will settle the Matched CDS Seller Contract by cash settlement accordingly.

9 Disputes Relating to Deliverable Obligations

- (1) Prior to accepting Delivery of a particular obligation pursuant to a Notice of Physical Settlement or NOPS Amendment Notice, a Matched CDS Seller may challenge whether the obligation is a Deliverable Obligation under the terms of a Matched CDS Contract, unless the obligation is listed and remains listed as a Deliverable Obligation in the Final List of Deliverable Obligations which is applicable to that Matched CDS Contract as of the applicable Delivery Date for such Deliverable Obligation.
- (2) A challenge may only be made to the Credit Derivatives Determination Committee by submitting a question to the Credit Derivatives Determination Committee or to the JSCC Determination Committee but only to the extent that the JSCC Determination Committee is not restricted or prevented by the Business Rules, etc. from considering the question.
- (3) Any Matched CDS Seller may refuse to accept Delivery of a particular obligation if any challenge (as referred to in the preceding Item) has been made by that Matched CDS Seller as to whether the obligation is a Deliverable Obligation under the terms of the Matched CDS Contract, until such time of the announcement by the Credit Derivatives Determination Committee or the JSCC Determination Committee that such obligation is a Deliverable Obligation under the terms of the Matched CDS Contract, unless the obligation is listed and remains listed as a Deliverable Obligation in the Final List of Deliverable Obligations which is applicable to that Matched CDS Contract as of the applicable Delivery Date for such Deliverable Obligation.
- (4) Any Matched CDS Seller proposing to refuse to accept Delivery as referred to in the preceding Item must give notice to JSCC and to the Matched CDS Buyer in the relevant Matched Pair without delay, specifying the Matched CDS Contract to which the refusal relates. Delivery of such notice by the Matched CDS Seller to the Matched CDS Buyer shall constitute notice from JSCC to the Matched CDS Buyer of JSCC's refusal to accept Delivery of the relevant obligation.
- (5) JSCC shall issue a public announcement concerning any challenge of which it is notified and a further notice concerning any resolution thereof by the Credit Derivatives Determination Committee or the determination by the JSCC

Determination Committee.

- (6) Only in respect of an obligation for which a challenge has been presented pursuant to Item (1) above, time periods, related rights and remedies relating to settlement (including without limitation those under Sections 9.7 and 9.10 of the ISDA Credit Derivatives Definitions (or Sections 9.9 and 9.8 of the ISDA Credit Derivatives Definitions (2003 Version) for 2003 Version Clearing Contracts)) and any limitation applicable to settlement shall be suspended for the period from the date on which the challenge was first presented until the date of the announcement by the Credit Derivatives Determination Committee or the JSCC Determination Committee as to whether or not such obligation is a Deliverable Obligation under the terms of Matched CDS Contract, unless the obligation is listed and remains listed as a Deliverable Obligation in the Final List of Deliverable Obligations which is applicable to that Matched CDS Contract as of the applicable Delivery Date for such Deliverable Obligation.

10 Physical Settlement Costs

- (1) Any payments required in relation to any costs or expenses of settlement of a Matched CDS Contract in accordance with the Fallback Settlement Method shall be made in the following manner:
 - a. where a Matched CDS Seller or Matched CDS Buyer designated to make payment in relation to any costs or expenses of settlement of a Matched CDS Contract pursuant to Paragraph 4 makes a relevant payment directly to the other party in the Matched Pair, the party that made the payment shall not be entitled to any reimbursement from JSCC in respect of the payment (without prejudice to any rights of any Matched CDS Seller to Matched CDS Buyer where there is a failure to Deliver); and
 - b. where a Matched CDS Seller or Matched CDS Buyer designated to receive payment in relation to any costs or expenses of settlement of a Matched CDS Contract pursuant to Paragraph 4 receives a relevant payment directly from the other party in the Matched Pair, the party that received the payment shall not be obliged to remit any amount in respect of such payment to JSCC (without prejudice to any rights of JSCC where there is a failure to Deliver).
- (2) For the avoidance of doubt, JSCC shall not be liable to a Matched CDS Buyer or Matched CDS Seller for any of the costs and expenses of settlement of the Matched CDS Buyer or Matched CDS Seller.
- (3) If JSCC incurs actual costs or expenses of settlement in respect of a Matched CDS Contract, the Matched CDS Seller or the Matched CDS Buyer in the Matched Pair (as applicable, being in any case the person in the Matched Pair that would incur or be liable for such costs or expenses were the Matched Pair to have been a CDS Transaction between the Matched CDS Seller and the Matched CDS Buyer) shall be liable to reimburse JSCC in respect of such costs or expenses.

11 Notice and other Procedures

Matters necessary to prescribe in relation to any notices given pursuant to this Appendix and other procedures to be taken in relation to Physical Settlement of Matched CDS Contracts, etc. shall be prescribed by JSCC through its public notice or from time to time.

<Exhibit Form 1> Form of Guarantee

Guarantee

Date:

To [], President & CEO of Japan Securities Clearing Corporation

Address _____

Trade Name or Company Name _____

Name of Representative _____ (Seal)

[] (hereinafter referred to as the “Company”) confirms and accepts the details of the CDS Clearing Business Rules prescribed by JSCC (hereinafter referred to as the “Business Rules”), etc. in advance and submits this Guarantee (hereinafter referred to as this “Guarantee”) to JSCC through [] (hereinafter referred to as the “Clearing Participant”) in accordance with the provisions of Paragraph 5 of Article 8 of the Business Rules. The terms used in this Guarantee shall have the meanings prescribed in the Business Rules unless otherwise provided in this Guarantee.

- 1 The Company is a Parent Company, etc. of the Clearing Participant.
- 2 The Company shall guarantee jointly and severally with the Clearing Participant to JSCC all current and future obligations borne by the Clearing Participant against JSCC in connection with the CDS Clearing Business of JSCC (including but not limited to the obligations relating to the Clearing Contracts to which the Clearing Participant is a Clearing Participant and the indemnity obligation in the case of the determination of the Default, etc. of the Clearing Participant by JSCC).
- 3 The Company shall cooperate with the report or submission of documents by the Clearing Participant or the inspection by JSCC when JSCC requests the Clearing Participant to report or submit documents to JSCC or conducts inspection in respect of the matters concerning the Company pursuant to the provisions of Article 21 of the Business Rules (in the case the said Article is amended in accordance with the Business Rules, the provisions as amended).
- 4 This Guarantee shall be governed by and construed in accordance with the laws of Japan.
- 5 The Company agrees to the exclusive jurisdiction of the Tokyo District Court of Japan for the first instance if any lawsuit arises between JSCC and the Company in relation to this Guarantee.

<Exhibit Form 2> Clearing Participant Agreement

CDS Clearing Participant Agreement

Date:

To [], President & CEO of Japan Securities Clearing Corporation

Address _____
Trade Name or Company Name _____
Name of the Representative _____ (Seal)

[] (hereinafter referred to as the “Company”) confirms and accepts the details of the CDS Clearing Business Rules prescribed by JSCC (hereinafter referred to as the “Business Rules”), etc. in advance and submits this CDS Participant Agreement (hereinafter referred to as this “Agreement”) to JSCC in accordance with the provisions of Article 11 of the Business Rules. The terms used in this Agreement shall have the meanings prescribed in the Business Rules unless otherwise provided in this Agreement.

1 The Company shall abide by and comply with the Business Rules, etc. (in the case the Business Rules, etc. are amended in accordance with the Business Rules, etc., the Business Rules, etc. as amended) in respect of CDS Clearing Business conducted by JSCC, Clearing Contracts to be executed in accordance with the Business Rules, etc. and other matters prescribed by the Business Rules, etc.

2 The Company agrees that:

- (1) The provisions of the Business Rules, etc. shall apply to the current and future claims and obligations concerning Clearing Contracts and the matters listed in each Item of Paragraph 1 of Article 1 of the Business Rules.
- (2) The provisions of the Business Rules, etc. shall constitute a part of this Agreement.
- (3) In the case the provisions of the Business Rules, etc. are amended in accordance with the Business Rules, etc., this Agreement shall be automatically amended according to such amendments on the day of such amendments.
- (4) It shall comply with revocation of CDS Clearing Qualification, suspension of new Assumption of Obligation and any other measures taken by JSCC in accordance with the Business Rules, etc.
- (5) When the CDS Clearing Qualification of the Company is renounced (including renunciation due to revocation of CDS Clearing Qualification by JSCC), it shall bear any and all responsibilities concerning such renunciation, and shall not cause any inconvenience to JSCC, other Clearing Participants, Clearing Customers who designated the Company as their Clearing Participant on Customer Account.
- (6) Clearing Customer may make available any information related to Underlying Transaction of Clearing Brokerage to a Clearing Participant on Customer Account and such Clearing Participant on Customer Account may receive such information in an entrustment of Brokerage for Clearing of Securities, etc. whose Underlying Transaction of Clearing Brokerage is entered into between a Clearing Customer

- acting through a Clearing Participant on Customer Account which is not the Company on one hand and the Company on the other.
- (7) JSCC will keep an executed copy of this Agreement for the benefit of the Clearing Participant or the Clearing Customer referred to in Item (6) above as a document certifying that the Company has agreed to the matters set forth in Item (6) above, and will disclose such executed copy of this Agreement or any substance thereof to such Clearing Participant or the Clearing Customer to an extent required by law.
 - (8) Unless otherwise set forth in the Business Rules, etc., this Agreement shall be governed by and construed in accordance with the laws of Japan.
- 3 This Agreement shall automatically terminate without indication of intention by the parties when the CDS Clearing Qualification of the Company has been renounced; provided, however, if there remain any Contact for Clearing or other rights and obligations between JSCC and the Company or any other rights and obligations under the provisions of the Business Rules, etc. at the termination hereof, the Company shall abide by and comply with the Business Rules, etc. to the extent pertaining to such rights and obligations.

< Exhibit Form 3> Clearing Brokerage Agreement

CDS Clearing Brokerage Agreement

〇〇〇〇 (hereinafter referred to as “Party A”) and 〇〇〇〇 (hereinafter referred to as “Party B”) hereby enter into this Clearing Brokerage Agreement (hereinafter referred to as this “Agreement”) concerning the Brokerage for Clearing of Securities etc. in respect of the CDS Transactions to be conducted by Party A for and on behalf of Party B, with mutual acknowledgment of the Business Rules, etc. (as defined below), upon the terms and conditions set forth herein below.

Chapter 1 General Provisions

(Article 1 Purpose)

Party B hereby entrusts Party A with, and Party A hereby accepts the entrustment of, Brokerage for Clearing of Securities, etc. in respect of the CDS Transactions for and on behalf of Party B in accordance with the provisions of this Agreement.

(Article 2 Definitions)

The terms used herein shall have the meanings prescribed in the Financial Instruments and Exchange Act (Act No.25 of 1948) or the Business Rules, etc. (as defined below) and the following terms shall have the meanings as defined in each Item below:

- (1) “Clearing Contract subject to Brokerage” means each Clearing Contract executed between Party A and JSCC based on the entrustment of Brokerage for Clearing of Securities, etc. by Party B under this Agreement.
- (2) “Event of Default” means each event specified in each Item of Paragraph 1 of Article 33.
- (3) “Early Termination Amount” means the amount of money to be paid and received between Party A and Party B upon termination of all Subject Clearing Brokerage Contracts in accordance with Article 34.
- (4) “Business Rules” means the business rules established by JSCC regarding its Financial Instruments Obligation Assumption Service for CDS Transactions, as amended, if applicable.
- (5) “Business Rules, etc.” shall collectively refer to the Business Rules and other rules of whatsoever description prescribed by JSCC based on the Business Rules, as amended, if applicable.
- (6) “JSCC” means Japan Securities Clearing Corporation.
- (7) “JSCC Business Day” means any day which is not a Business Holiday.
- (8) “Subject Clearing Brokerage Contract” means a contract between Party A and Party B concluded as a result of a commission of each Brokerage for Clearing of Securities, etc. hereunder, which has the same economic effect as the Clearing Contract subject to Brokerage concluded on behalf of Party B.
- (9) “Asset Package Notice” means a notice concerning the Asset Package to be given by the Seller to the Buyer in accordance with the provisions of Section 8.2 of ISDA Credit Derivatives Definitions.

(Article 3 Submission of Letter of Undertaking)

- 1 Party B shall, immediately after the execution of this Agreement, submit to JSCC through Party A with a letter of undertaking in the form prescribed by JSCC stating that Party B will comply with this Agreement and the Business Rules, etc.
- 2 Party A shall, immediately after receiving the letter of undertaking from Party B pursuant to the preceding Paragraph, submit such letter of undertaking to JSCC.

Chapter 2 Entrustment of Brokerage for Clearing of Securities, etc.

(Article 4 Entrustment of Brokerage for Clearing of Securities, etc.)

- 1 When Party B intends to entrust the Brokerage for Clearing of Securities etc. to Party A, Party B shall notify JSCC of the Clearing Participant who is to be the counterparty to the relevant CDS Transaction to be executed based on the entrustment of Brokerage for Clearing of Securities, etc. (hereinafter referred to as “Designated Counterparty”) and other matters prescribed by the Business Rules, etc. in accordance with the provisions of the Business Rules, etc..
- 2 Party A and Party B 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 Party B and accepted by Party A at the time when the notification given under the preceding Paragraph reaches JSCC.
- 3 The preceding Paragraph shall not apply to any of the cases in the following Items except where Party A executes a Clearing Contract subject to Brokerage in accordance with the following Article.
 - (1) In the case where the notification given under Paragraph 1 fails to meet certain conditions prescribed in the Business Rules, etc.; or
 - (2) In the case where otherwise agreed between Party A and Party B with regard to any restriction on the entrustment of Brokerage for Clearing of Securities, etc. and where the notification given under Paragraph 1 is inconsistent with such agreement.

(Article 5 Execution of Clearing Contract subject to Brokerage)

- 1 When the notification specified in Paragraph 1 of the preceding Article reaches JSCC, a CDS Transaction with the same conditions prescribed in the Business Rules, etc. as those of the Underlying Transaction of Clearing Brokerage shall be executed between Party A and the Designated Party for the account of Party B in accordance with the Business Rules, etc. In such case, if the Brokerage for Clearing of Securities, etc. is deemed to be applied and accepted pursuant to the provisions of Paragraph 2 of the said Article, Party A shall make notification to JSCC in connection with the application for Assumption of Obligation in respect of such CDS Transaction in accordance with the provisions of the Business Rules, etc. and execute Clearing Contract subject to Brokerage with JSCC.

- 2 In the case where the Clearing Contract subject to Brokerage is executed, Party A shall notify Party B of that effect and the details of the Clearing Contract subject to Brokerage without delay.

(Article 6 Attribution of Profits and Losses from Clearing Contracts Subject to Brokerage, etc.)

- 1 All profits and losses resulting from the Clearing Contracts subject to Brokerage shall attribute to Party B.
- 2 When Party A receives Money, etc. (excluding Margins) from JSCC in respect of the Clearing Contracts subject to Brokerage, it shall deliver such Money, etc. to Party B.
- 3 When Party A bears payment obligations of Money, etc. (excluding Margins, Special Clearing Charge Collaterals, clearing fees and Special Clearing Charges) to JSCC, Party B shall pay such Money etc. to Party A.
- 4 Party A and Party B shall determine by mutual agreement the timing and manner of the payments and receipts of the Money, etc. under the preceding two Paragraphs unless otherwise prescribed in this Agreement.

(Article 7 Instructions by Party B on Clearing Contracts Subject to Brokerage)

Party B may give instructions to Party A on the application for the Compression or the Ad Hoc Compression of any Clearing Contract subject to Brokerage and other related matters in accordance with this Agreement and the Business Rules, etc.

(Article 8 Payments and Receipts of Fixed Amount)

- 1 In the case where Party A is supposed to pay a Fixed Amount to JSCC in connection with any Clearing Contract subject to Brokerage, Party B shall pay to Party A the amount of money equivalent to the Fixed Amount by the time specified by Party A that is before the cut-off time of its payment to JSCC (in the case where Party B is a Non-resident, before such cut-off time on the second JSCC Business Days following such date) and by the method specified by Party A.
- 2 In the case where Party A receives a Fixed Amount from JSCC in connection with any Clearing Contract subject to Brokerage, Party A shall pay to Party B the amount of money equivalent to the Fixed Amount by the time agreed between by Party A and Party B (or promptly, absent such agreement) and by the method agreed between Party A and Party B.

(Article 9 Clearing Brokerage Account)

- 1 Party A shall open an account for management of the details of each Subject Clearing Brokerage Contract and the Initial Margin, the Customer Initial Margin and the Variation Margin for each Subject Clearing Brokerage Contract, the Money, etc. paid and received at the Settlement of each Clearing Contract subject to Brokerage, and any other Money, etc. paid and received between Party A and Party B in accordance with this Agreement and the Business Rules, etc. (hereinafter referred to as "Party B Clearing Brokerage Account").
- 2 Upon request of Party B, Party A may open multiple accounts under the Party B Clearing

Brokerage Accounts opened for Party B.

(Article 10 Fees etc.)

Party A may, based on an agreement between Party A and Party B, request payment from Party B of consideration, fees and other money thus agreed (including the money equivalent to the Special Clearing Charge paid, if any, by Party A) for its acceptance of entrustment of Brokerage for Clearing of Securities, etc. and its performance of other obligations under this Agreement.

Chapter 3 Margin

Section 1 Initial Margin

(Article 11 Obligation to Deposit Initial Margin)

- 1 Party B shall deposit with JSCC the Initial Margin in the amount no less than the Required Initial Margin Amount for each Clearing Contract subject to Brokerage (or, if otherwise agreed between Party A and Party B, the larger of the amount calculated under such agreement or the Required Initial Margin Amount) (hereinafter referred to as “Required Deposit Amount”).
- 2 The Required Initial Margin Amount for each Clearing Contract subject to Brokerage shall be calculated by JSCC in accordance with the Business Rules, etc. and Party A shall notify such Required Initial Margin Amount to Party B
- 3 JSCC may charge interest on the Initial Margin in such manner as set forth in the Business Rules, etc.

(Article 12 Deposit Method of Initial Margin, etc.)

- 1 Party B shall deposit the Initial Margin with JSCC through Party A acting as an agent for Party B in accordance with the Business Rules, etc.
- 2 Party B hereby entrusts Party A with, and Party A hereby accepts the entrustment of, the depositing of the Initial Margin with JSCC and the claiming a return thereof on behalf of Party B.
- 3 In the case where the total amount of the cash and the Substitute Securities deposited with JSCC as the Initial Margin in respect of Clearing Contracts subject to Brokerage (hereinafter simply referred to as “Initial Margin”) and the cash and the Substitute Securities deposited with Party A as the Customer Initial Margin in respect of Subject Clearing Brokerage Contracts (hereinafter simply referred to as “Customer Initial Margin”) (such total amount shall be hereinafter referred to as “Initial Margin Deposited Amount”) falls short of the Required Deposit Amount on any JSCC Business Day, Party B shall pay the shortfall to Party A no later than the date and time designated by Party A that is at or before the cut-off time for deposit to JSCC on the first JSCC Business Day (or the second JSCC Business Day, if Party B is a Non-resident) after the day on which such shortfall occurs.

- 4 Party A shall, as an agent for Party B, deposit with JSCC all of the cash or the Substitute Securities received from Party B as the Initial Margin in accordance with the Business Rules, etc.

(Article 13 Substituted Deposit)

- 1 Notwithstanding the preceding two Articles, Party A may retain the money or Substitute Securities received from Party B as the Customer Initial Margin, subject to prior written consent of Party B.
- 2 In the case of the preceding Paragraph, Party A shall deposit with JSCC the Substituted Initial Margin that is no less than the amount of the Customer Initial Margin received from Party B.
- 3 No interest shall accrue on the Customer Initial Margin.

(Article 14 Right to Claim a Return of Initial Margin)

- 1 The right to claim a return of the Initial Margin from JSCC shall be vested in such party in respect of the amount equivalent to such amount as prescribed in each Item below.

(1) Party B:

For Initial Margin and Substituted Initial Margin deposited with JSCC on behalf of Party B, Party B 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 Party B owed to Party A in respect of the Subject Clearing Brokerage Contracts (including any outstanding obligation arising as a result of the termination of Subject Clearing Brokerage Contract) and outstanding Early Termination Amount.

Notwithstanding the foregoing, in case the amount calculated above as Party B's claim exceeds the sum of Initial Margin and Substituted Initial Margin less the outstanding obligation of Party A owed to JSCC in respect of Clearing Contracts subject to Brokerage (including any outstanding obligation arising as a result of the termination of Clearing Contracts subject to Brokerage due to Party A's Default, etc. or for any other reasons), Party B's claim shall be limited to the said amount so calculated;

(2) Party A:

The sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Clearing Contracts subject to Brokerage less the sum of the outstanding obligations of Party A owed to JSCC in connection with the Clearing Contracts subject to Brokerage and the amount of Party B's claim under Item (1).

- 2 In the case where the amount of the right to claim a return of the Initial Margin exceeds the Required Deposit Amount, Party B may claim a return of the Initial Margin from JSCC up to such excess amount in accordance with the Business Rules, etc.
- 3 Party B shall exercise the right to claim a return of the Initial Margin through Party A acting

as an agent for Party B in accordance with the Business Rules, etc. In the case where JSCC determines the Default, etc. of Party A, however, Party B shall exercise the right to claim a return of the Initial Margin directly from JSCC in accordance with the Business Rules, etc.

- 4 Party A shall deliver to Party B all the cash and the Substitute Securities delivered from JSCC as the Initial Margin of which Party B has the right to claim a return by the time agreed between Party A and Party B (or promptly, absent such agreement) and by the method agreed between Party A and Party B.
- 5 Notwithstanding Paragraph 2, Party B shall, in the case where Party B has the right to claim a return of the Customer Initial Margin from Party A, Party B may not exercise the right to claim a return from JSCC of the portion of the Initial Margin corresponding to such Customer Initial Margin, unless JSCC has determined the Default, etc. of Party A.
- 6 In the case where the manner of the exercise of the right to claim a return of the Initial Margin set forth in each of the preceding Paragraph, the manner of the appropriation thereof to secured obligations and other related matters are otherwise set forth in the Business Rules, etc., the relevant provisions of the Business Rules, etc. shall prevail.

(Article 15 Right to Claim a Return of Customer Initial Margin)

In the case where the amount of the right to claim a return of the Initial Margin exceeds the Required Deposit Amount, Party B may claim a return from Party A of the Customer Initial Margin up to the lesser of such excess amount or the amount of the Customer Initial Margin deposited with Party A (or, if Party B exercises the right to claim a return of the Initial Margin from JSCC in accordance with the Business Rules, etc. and if the amount of the Initial Margin returned by JSCC exceeds the amount of the Initial Margin deposited with JSCC, then the amount of the Customer Initial Margin deposited with Party A less such excess amount).

(Article 16 Substitute Securities)

- 1 The substitute price of the Substitute Securities shall be calculated in accordance with the Business Rules, etc.
- 2 The manner of deposit the Substitute Securities and other necessary matters in respect of the Substitute Securities shall be prescribed by the Business Rules, etc.
- 3 In the case where Party B deposits the Substitute Securities with JSCC or Party A as the Initial Margin or the Customer Initial Margin, JSCC and Party A shall, upon the return of the Initial Margin or the Customer Initial Margin, as the case may be, return to Party B the securities of the same kind, grade and amount as those of the Substitute Securities deposited, unless otherwise set forth in this Agreement or the Business Rules, etc.
- 4 JSCC and Party A may consume the Substitute Securities deposited by Party B.

Section 2 Variation Margin

(Article 17 Variation Margin)

- 1 Party A and Party B shall pay and receive the Variation Margin on each JSCC Business Day.
- 2 The required amount of Variation Margin for Clearing Contracts subject to Brokerage shall be calculated by JSCC in accordance with the Business Rules, etc. and Party A shall notify Party B of such required amount.

(Article 18 Payment and Receipt of Variation Margin)

- 1 In the case where Party A is supposed to pay to JSCC the Variation Margin with regard to any Clearing Contract subject to Brokerage, Party B shall pay to Party A the amount equivalent to the Variation Margin by the time specified by Party A that is before the cut-off time for its payment to JSCC on the first JSCC Business Day (or the second JSCC Business Day, if Party B is a Non-resident) after the day on which the Variation Margin is calculated in the manner specified by Party A.
- 2 In the case where Party A receives from JSCC the Variation Margin in respect of any Clearing Contract subject to Brokerage, Party A shall pay the amount equivalent to the Variation Margin to Party B by the time agreed between Party A and Party B (or promptly, absent such agreement) and by the method agreed between Party A and Party B.

(Article 19 Payment and Receipt of Interests on Variation Margin)

- 1 Party A and Party B shall pay and receive interests on the Variation Margin in accordance with this Agreement and the Business Rules, etc.
- 2 In the case where Party A is supposed to pay to JSCC an interest on the Variation Margin, Party B shall pay to Party A the amount equivalent to the interest by the time specified by Party A that is before the cut-off time for its payment to JSCC (in the case where Party B is a Non-resident, before such cut-off time on the second JSCC Business Days following such date) and by the method specified by Party A.
- 3 In the case where Party A receives from JSCC an interest on the Variation Margin, Party A shall pay to Party B the amount equivalent to the interest by the time agreed between Party A and Party B (or promptly, absent such agreement) and by the method agreed between Party A and Party B.

(Article 20 Right to Claim a Return of Variation Margin)

Party A and Party B may not claim a return of the Variation Margin arising from Subject Clearing Brokerage Contracts from each other except for the payment and receipt as well as a return thereof in accordance with this Agreement and the Business Rules, etc.

Section 3 Others

(Article 21 Nature of Deposit of Margin)

Unless otherwise set forth in the Business Rules, the deposit of the Margin shall constitute a deposit with consumption right (*shohi kitaku*) for collateral purposes in the case of the Margin in cash and a loan with consumption right (*shohi taishaku*) free of charge for collateral purposes in the case of the Margin consisting of the Substitute Securities.

(Article 22 Precedence between the Civil Code or Commercial Code and this Agreement)

Notwithstanding the provisions of the Civil Code (Act No.89 of 1896) and the Commercial Code (Act No.48 of 1899), Party A and Party B may claim a return of the Margin or others, only if prescribed in this Agreement or the Business Rules, etc.

(Article 23 Handling of Right to Claim a Return of Margin upon Occurrence of Event of Default or Other Circumstances)

1 In either case set forth in each Item below, Party B may not claim a return of the Margin deposited or delivered in accordance with this Agreement (hereinafter simply referred to as “Margin”) from either JSCC or Party A until completion of settlement of all the Subject Clearing Brokerage Contracts:

- (1) In the case where an Event of Default occurs and is continuing in respect of Party B;
or
- (2) In the case where all the Subject Clearing Brokerage Contracts are terminated pursuant to Article 34.

2 In the case where JSCC determines the Default, etc. of Party A, Party B may not claim a return of the Margin from either JSCC or Party A until completion of settlement of all the Clearing Contracts subject to Brokerage.

3 In the case where JSCC determines the Default, etc. of Party A, Party A may not claim a return of the Margin from either JSCC or Party B until completion of settlement of all the Clearing Contracts subject to Brokerage.

(Article 23-2 Method of Settlement of Monies Equivalent to Cash Settlement Amount)

Party A and Party B may settle the receivables and payables in the Cash Settlement Amount on a net basis.

(Article 23-3 Netting of Initial Margin and Cash Settlement Amount)

1 After netting pursuant to the immediately preceding Article, the net Cash Settlement Amount payable by Party B to Party A shall be netted with Initial Margin set forth in Article 11 of this Agreement as specified in the formulae below. If the net amount is negative, then Party B shall deposit the absolute value of such amount with Party A. The element calculated in Item (1) shall be deposited in cash:

- (1) Cash Initial Margin deposited at the end of the preceding JSCC Business Day minus net Cash Settlement Amount
- (2) Initial Margin and Customer Initial Margin Deposited Amount at the end of the preceding JSCC Business Day minus cash allocated to settlement (Item (1) above) minus Initial Margin Deposit Requirement

2 After the netting pursuant to the provisions of the immediately preceding Article, the net Cash Settlement Amount to be received by Party B shall be netted with Initial Margin (as set forth

in Article 11 of this Agreement) as specified in the formula below. If the amount is negative, then Party B shall deposit the absolute value of such amount with Party A.

Initial Margin and Customer Initial Margin Deposited Amount as at the end of the preceding JSCC Business Day plus net Cash Settlement Amount payable to Party B minus Initial Margin Deposit Requirement at the end of the preceding JSCC Business Day

(Article 23-4 Request for Withdrawal and Deemed Deposit of Initial Margin)

- 1 If Party B is due to receive the net amount, as a result of the netting set forth in the immediately preceding Article, it shall only receive such amount upon informing Party A of the amount it desires to receive.
- 2 If no request of the withdrawal of Initial Margin (as specified in the immediately preceding Paragraph) is received from Party B, the net Cash Settlement Amount shall be deemed to have been deposited as Initial Margin.

Chapter 4 Compression and Ad Hoc Compression of Clearing Contract Subject to Brokerage

(Article 24 Application for Compression or Ad Hoc Compression)

- 1 When Party B intends to instruct Party A to apply for Compression or Ad Hoc Compression, it shall notify such effect to JSCC in accordance with the provisions of the Business Rules, etc.
- 2 Party A and Party B hereby agree in advance that when the notification set forth in Paragraph 1 reaches JSCC, Party B shall be deemed to have given instruction to Party A to apply for Compression or Ad Hoc Compression, and Party A shall be deemed to have made application as set forth in the Business Rules, etc.

(Article 25 Termination of Subject Clearing Brokerage Contract as a Result of Compression or Ad Hoc Compression)

When a Clearing Contract subject to Brokerage is terminated as a result of a Compression or an Ad Hoc Compression, the relevant Subject Clearing Brokerage Contract shall also terminate automatically. In such case, an amount remain unsettled between Party A and Party B with respect to such Subject Clearing Brokerage Contract, if any, shall be promptly settled between Party A and Party B.

(Article 25-2 Conclusion of Subject Clearing Brokerage Contracts by Compression)

When new Clearing Contracts subject to Brokerage come into effect between Party A and JSCC as a result of the Compression, the Subject Clearing Brokerage Contracts corresponding to such Clearing Contracts subject to Brokerage shall come into effect between Party A and Party B at the same time.

(Article 26 Position Transfer of Subject Clearing Brokerage Contracts to Other Clearing Customer)

- 1 In accordance with the Business Rules, etc., Party B may transfer the Subject Clearing Brokerage Contracts to any other Clearing Customer (hereinafter referred to as "Position

Transferee Clearing Customer”) as a result of which the Subject Clearing Brokerage Contract shall be terminated for the future in accordance with the Business Rules and simultaneously a new legal relationship shall be established between the Position Transferee Clearing Customer and Party A with the same terms and conditions as those of the Subject Clearing Brokerage Contracts (hereinafter referred to as “Position Transfer”).

- 2 In the case where Party B intends to carry out a Position Transfer of any Clearing Brokerage Contract to the Position Transferee Clearing Customer, Party B shall agree in advance with Party A and the Position Transferee Clearing Customer on the settlement of claims and obligations arising from the Position Transfer among Party B, Party A and the Position Transferee Clearing Customer and other necessary matters.

(Article 27 Position Transfer of Clearing Brokerage Contracts from Other Clearing Customer)

- 1 In accordance with the Business Rules, etc., Party B may receive a Position Transfer from any other Clearing Customer (hereinafter referred to as “Position Transferor Clearing Customer”) of legal relationships between the Position Transferor Clearing Customer and Party A (limited to the legal relationships similar to those under the Clearing Brokerage Contract (hereinafter referred to as “Position-Transferred Clearing Brokerage Contract”)).
- 2 In the case where Party B intends to receive a Position Transfer of the Position-Transferred Clearing Brokerage Contract from the Position Transferor Clearing Customer, Party B shall agree in advance with Party A and the Position Transferor Clearing Customer on the settlement of claims and obligations arising from the Position Transfer among Party B, Party A and the Position Transferor Clearing Customer and other necessary matters.

Chapter 5 Settlement

(Article 28 Settlement)

- 1 In the case where Party B gives a Credit Event Notice in respect of a Clearing Contract subject to Brokerage that is a 2003 Version Clearing Contract with a Reference Entity for which (or for the Obligations of which) occurrence of Restructuring as one of the Credit Events has been determined, Party B shall instruct Party A to give the Credit Event Notice by such date and time and by such method as prescribed by Party A.
- 2 Upon receipt of the instruction under the preceding Paragraph, Party A shall give the Credit Event Notice to JSCC.
- 3 In the case where Party A receives a Credit Event Notice from JSCC in respect of any Clearing Contract subject to Brokerage that is a 2003 Version Clearing Contract, Party A shall promptly notify Party B to that effect.
- 4 The preceding three Paragraphs shall apply *mutatis mutandis* to a Notice of Physical Settlement, an Amended Notice of Physical Settlement and an Asset Package Notice. In this case the term “In the case where Party B gives a Credit Event Notice in respect of a Clearing Contract subject to Brokerage that is a 2003 Version Clearing Contract with a Reference Entity for which (or for the Obligations of which) occurrence of Restructuring as one of the

Credit Events has been determined” in Paragraph 1 shall be replaced with “When giving a Notice of Physical Settlement,” “When giving an Amended Notice of Physical Settlement” or “When giving an Asset Package Notice,” as the case may be, and the term “Credit Event Notice” elsewhere in this Article shall be replaced with “Notice of Physical Settlement,” “Amended Notice of Physical Settlement” or “Asset Package Notice” as the case may be.

(Article 29 Payment and Receipt of Money, etc. upon Settlement)

- 1 If Party A is supposed to pay some amount of the Money, etc. to either JSCC or any other Clearing Participant upon the Settlement of a Clearing Contract subject to Brokerage, Party B shall pay such amount of Money, etc. to Party A by the date and time prescribed by Party A that is before the Settlement Date and by the method prescribed by Party A.
- 2 If Party A receives some amount of Money, etc. from either JSCC or any other Clearing Participant upon the Settlement of a Clearing Contract subject to Brokerage, Party A shall pay such amount of Money, etc. to Party B by the time agreed between Party A and Party B (or promptly, absent such agreement) and by the method agreed between Party A and Party B.

(Article 30 Delivery and Receipt of Deliverable Obligation upon Settlement)

- 1 In the case where Party A is supposed to deliver the Deliverable Obligation to either any other Clearing Participant or JSCC upon Settlement of any Clearing Contract subject to Brokerage in accordance with the terms and conditions of the relevant Matched CDS Contracts or JSCC Matched CDS Contracts (hereinafter collectively referred to as “Matched CDS Contracts, etc.”) deemed to have been executed under Appendix 3 of the Handling Procedures of CDS Business Rules and also in accordance with the Business Rules, etc., Party B shall deliver the Deliverable Obligation to Party A by the time prescribed by Party A that is before the Physical Settlement Date for the Matched CDS Contracts. In the case where Party B is unable to deliver the Deliverable Obligation to Party A and where such inability is deemed to be treated as an illegality or impossibility pursuant to the Paragraph 8 of Appendix 3 of the Handling Procedures of CDS Business Rules, then such inability shall not constitute an Event of Default set forth in Article 33.
- 2 If Party A receives delivery of the Deliverable Obligation from either any other Clearing Participant or JSCC upon Settlement of any Clearing Contract subject to Brokerage in accordance with the terms and conditions of the relevant Matched CDS Contracts, etc. set forth in the preceding Paragraph and in accordance with the Business Rules, etc., Party A shall deliver to Party B the Deliverable Obligation received from either such other Clearing Participant or JSCC, as the case may be, by the time agreed between Party A and Party B (or promptly, absent such agreement).

(Article 31 Customer Physical Settlement Request)

- 1 In the case where occurrence of a Credit Event is determined in respect of any Reference Entity (or its Obligations) and where the Credit Derivatives Determination Committee determines to make the Auction Settlement for the CDS Transactions with the Reference Entity, then Party B may submit a customer physical settlement request (which means the Customer Physical Settlement Request set forth in the Credit Derivatives Auction Settlement Terms; hereinafter the same in this Article) to Party A in accordance with the Credit

Derivatives Auction Settlement Terms.

- 2 In the case where a Customer Physical Settlement Request is submitted by Party B and accepted by Party A, Party A shall submit a physical settlement request (which means the Physical Settlement Request set forth in the Credit Derivatives Auction Settlement Terms) to the administrator(s) of the Auction Settlement (which means the Administrator(s) set forth in the Credit Derivatives Auction Settlement Terms) on the account of Party B in accordance with the instructions of Party B and the Credit Derivatives Auction Settlement Terms.
- 3 In addition to the preceding two Paragraphs, other necessary matters relating to the Customer Physical Settlement Request shall be determined by the agreement between Party A and Party B.

(Article 32 Reference to Business Rules, etc.)

In addition to the preceding three Articles, the Settlement of the Clearing Contracts subject to Brokerage (including the Matched CDS Contracts deemed to have been executed under Appendix 3 of the Handling Procedures of CDS Business Rules) and the handling of the Clearing Contracts subject to Brokerage and the Subject Clearing Brokerage Contracts relating thereto upon the Settlement shall be governed by the Business Rules, etc. and the terms and conditions of the relevant Clearing Contract subject to Brokerage.

Chapter 6 Handling of Default of Party Concerned

Section 1 Default, etc. of Party B

(Article 33 Event of Default)

- 1 Occurrence of any of the events set forth in each of the following Items shall constitute an Event of Default in respect of Party B.
 - (1) Failure to perform payment obligation or delivery obligation:
In the case where Party B fails to perform any of its payment obligations or delivery obligations under this Agreement by the due date and fails to cure such failure within one Local Business Day (which means a day on which commercial banks located in the place designated by Party B as its address for receiving notifications are open for general business, including the dealings in foreign exchange and foreign currency deposits) from the date of issuance of the notice of failure by Party A to Party B
 - (2) Breach of agreement or repudiation of performance:
In the case where Party B fails to perform any of its obligations under this Agreement (other than the payment obligations and delivery obligations set forth in Item (1)) and fails to cure such failure within 30 days from the date of issuance of the notice of failure by Party A to Party B
 - (3) Bankruptcy:
 - a. In the case of dissolution of Party B (excluding the dissolution due to a merger);

- b. In the case where Party B becomes insolvent (which means such term as used in the Bankruptcy Act (Act No.75 of 2004) if Party B is an entity established or formed under the Japanese law), becomes unable to pay debts (which means such term as used in the Bankruptcy Act if Party B is an entity established or formed under the Japanese law), suspends payment of its obligations when due, other than the payment obligations and delivery obligations set forth in Item (1) (which means the case constituting suspension of payment under the Bankruptcy Act if Party B is an entity established or formed under the Japanese law), or admits in writing that it is generally unable to pay its debts when due;
 - c. In the case where Party B carries out a comprehensive transfer to, or adjustment of debt or a composition with or for the benefit of creditors;
 - d. In the case where a petition is filed against Party B for commencement of proceedings seeking a determination of bankruptcy or insolvency or other relief under the laws related to bankruptcy or insolvency or other similar laws affecting the rights of creditors (including the case where a petition is filed against Party B for commencement or approval of the bankruptcy, rehabilitation, restructuring, special liquidation or foreign insolvency proceedings, including the equivalent proceedings under any foreign law or regulation) or where a petition is filed for dissolution or liquidation of Party B;
 - e. In the case where a resolution is passed by Party B for dissolution, being under state control or liquidation;
 - f. In the case where Party B files a petition for appointment of a receiver, provisional administrator or other similar official (hereinafter referred to as "Receiver, etc.") in respect of Party B or a major part of its own assets, or a Receiver, etc. is appointed for Party B or a major part of its own assets;
 - g. In the case where any secured creditor of Party B comes to possess, or files a petition for compulsory execution, attachment, compulsory administration or other legal proceedings for, a major part of the assets of Party B and where the secured creditor does not cease to possess it or the petition is neither rejected nor withdrawn within 15 days from the date of occurrence of such possession or the date of filing of such petition, as the case may be;
 - h. In the case of occurrence of any event with the effects similar to any of the events set forth in a. through g. above in respect of Party B; or
 - i. In the case where Party B aids, agrees, approves or tolerates any of the events set forth in a. through h. above.
- 2 In the case where Party A and Party B separately agree that some of the events set forth in each of the Items of the preceding Paragraph shall not apply or that certain other event or events shall be added as the Events of Default under this Agreement, such agreement shall prevail. In this case the events agreed between Party A and Party B to constitute the Events of Default shall constitute the Events of Default under this Agreement.
- 3 Notwithstanding the preceding two Paragraphs, the event set forth in Item (3) d. of Paragraph 1 may be replaced by the following events, if agreed between Party A and Party B:

[(A) In the case where Party B files a petition for commencement of proceedings seeking a determination of bankruptcy or insolvency or other relief (hereinafter referred to as “Legal Insolvency Proceedings”) under the law related to bankruptcy or insolvency or other similar law affecting the rights of creditors or where a petition for the Legal Insolvency Proceedings is filed against Party B by a regulatory authority, supervisor or any similar government official that is located in the place of establishment or formation of Party B or at the location of its head office or principal place of business and is competent for bankruptcy, corporate reorganization or regulations on Party B (hereinafter referred to as “Regulatory Authority, etc.”) or where a petition for dissolution or liquidation of Party B is filed by Party B itself or by the Regulatory Authority, etc.; and

(B) In the case where a petition for commencement of the Legal Insolvency Proceedings or for dissolution or liquidation is filed against Party B by any person other than either Party B or the Regulatory Authority, etc. and where the petition results in the determination of insolvency or bankruptcy, the issuance of an order for relief or order for dissolution or liquidation or where the petition is not rejected, revoked, stayed or suspended within 15 days from the date of filing thereof.]

(Article 34 Termination of Subject Clearing Brokerage Contracts upon Occurrence of Event of Default)

- 1 In the case where an Event of Default occurs and is continuing in respect of Party B, Party A may designate the Early Termination Date of the Subject Clearing Brokerage Contracts (which means the day on which all the relevant Subject Clearing Brokerage Contracts are terminated pursuant to this Article for any reason not attributable to either the arrival of the Scheduled Termination Date or the Settlement; hereinafter the same). The designation of the Early Termination Date shall take effect by providing Party B with a prior notice of not more than 20 days specifying the relevant Event of Default. Provided, however, in the case where Party A and Party B otherwise agree that a certain date shall be designated in advance as the Early Termination Date applicable to all or part of the Events of Default, such agreement shall prevail.
- 2 All the Subject Clearing Brokerage Contracts outstanding as of the Early Termination Date shall be automatically terminated as of the Early Termination Date as a matter of course without further action or manifestation of intention by either Party A or Party B.
- 3 Notwithstanding the preceding two Paragraphs, upon occurrence of the Event of Default set forth in Item (3) d. of Paragraph 1 in respect of Party B, all the outstanding Subject Clearing Brokerage Contracts shall be automatically terminated immediately before the occurrence of such Event of Default as a matter of course without further action or manifestation of intention by either Party A or Party B and the date of the termination shall be deemed as the Early Termination Date.
- 4 In the case where the Subject Clearing Brokerage Contracts are terminated pursuant to the preceding two Paragraphs, Party A or Party B shall notify JSCC to that effect in advance or after the termination without delay.

- 5 In the case where all the Subject Clearing Brokerage Contracts are terminated pursuant to the Paragraph 2 or 3, the Clearing Contract subject to Brokerage for each of the Subject Clearing Brokerage Contracts shall remain in force as the Clearing Contract between JSCC and Party A on its own account.
- 6 In the case where all the Subject Clearing Brokerage Contracts are terminated pursuant to Paragraph 2 or 3, Party A and Party B shall pay and receive the Early Termination Amount based on the clearing price of the Clearing Contract subject to Brokerage in relation to each of the Subject Clearing Brokerage Contracts as of the Early Termination Date. In this case the Early Termination Amount for each of the Subject Clearing Brokerage Contracts shall be the amount equivalent to the Resulted Net Amount (which means the balance after deduction of the total Variation Margin received from the total Variation Margin paid; hereinafter the same) to be deposited with JSCC by Party A on or prior to the JSCC Business Day immediately after the Early Termination Date in respect of the Clearing Contract subject to Brokerage for each of the Subject Clearing Brokerage Contracts. In the case where the Resulted Net Amount is a positive value, the Early Termination Amount shall be paid by Party B to Party A and in the case where the Resulted Net Amount is a negative value, the Early Termination Amount shall be paid by Party A to Party B.
- 7 In the case where Party A and Party B agree to change the description of the event set forth in Item (3) d. of Paragraph 1 the preceding Article pursuant to Paragraph 3 of the same Article, the provisions of Paragraph 3 shall be replaced with follows.

[Notwithstanding the preceding two Paragraphs, in the case where the Event of Default set forth in Item (3) d. of Paragraph 1 occurs and is continuing in respect of Party B, Party A may designate the Early Termination Date of the relevant Subject Clearing Brokerage Contract only within 20 days after the occurrence of such Event of Default (hereinafter referred to as “Early Termination Date Designation Period” in this Paragraph). In this case the Early Termination Date shall be designated by such method and shall have such effect as set forth in the preceding two Paragraphs. If Party A fails to designate the Early Termination Date within the Early Termination Date Designation Period, all the outstanding Subject Clearing Brokerage Contracts shall be automatically terminated as of the expiry of the Early Termination Date Designation Period as a matter of course without further action or manifestation of intention by either Party A or Party B.]

(Article 35 Return of Customer Initial Margin, etc. upon Termination of Subject Clearing Brokerage Contracts)

- 1 In the case where all the Subject Clearing Brokerage Contracts are terminated pursuant to Paragraph 2 or 3 of the preceding Article, Party A shall immediately return to Party B the Customer Initial Margin deposited by Party B. Provided, however, except for the case where the claims and obligations related to the Customer Initial Margin are settled pursuant to the following Article, Party B may not claim a return of the Customer Initial Margin from Party A until completion of settlement of all the Subject Clearing Brokerage Contracts under Paragraph 1 of Article 23.

- 2 For the purpose of the preceding Paragraph, in the case where the Customer Initial Margin consists of or includes the Substitute Securities, Party A shall return the cash in the amount equivalent to the market value of the Substitute Securities used for the calculation of the substitute price of the Substitute Securities in lieu of returning the Substituted Securities, unless otherwise agreed between Party A and Party B.
- 3 In the case where all the Subject Clearing Brokerage Contracts are terminated pursuant to Paragraph 2 or 3 of the preceding Paragraph, Party A and Party B shall immediately return to the other party the Variation Margin deposited by the other party in accordance with this Agreement. Provided, however, except for the case where the claims and obligations related to the Variation Margin are settled pursuant to the following Article, Party B may not claim a return of the Variation Margin from Party A until completion of settlement of all the Subject Clearing Brokerage Contracts under Paragraph 1 of Article 23.

(Article 36 Close-out Netting of Claims and Obligations upon Termination of Subject Clearing Brokerage Contracts)

- 1 In the case where all the Subject Clearing Brokerage Contracts are terminated pursuant to Paragraph 2 or 3 of Article 34, all the monetary obligations outstanding between Party A and Party B under this Agreement as of the Early Termination Date (including the payment obligations of the Early Termination Amount upon the termination of the Subject Clearing Brokerage Contracts pursuant to Paragraph 6 of Article 34, the obligations to return the Customer Initial Margin and the Variation Margin pursuant to the preceding Article, the payment obligations of unpaid Fixed Amount, if any, and any and all other monetary obligations outstanding between Party A and Party B) shall be settled as prescribed in the following Items.
 - (1) The total Early Termination Amounts payable by Party A to Party B in respect of all the Subject Clearing Brokerage Contracts terminated pursuant to Paragraph 2 or 3 of Article 34, the total Variation Margins to be returned from Party A to Party B and other monetary obligations of Party A owed to Party B outstanding as of the Early Termination Date (except for the obligations to return the Customer Initial Margin under the preceding Article, hereinafter referred to as “Party A’s Obligations at Early Termination Date”) shall be netted out against the total Early Termination Amounts payable by Party B to Party A in respect of the Subject Clearing Brokerage Contracts, the total Variation Margins to be returned from Party B to Party A and other monetary obligations of Party B owed to Party A outstanding as of the Early Termination Date (hereinafter referred to as “Party B’s Obligations at Early Termination Date”);
 - (2) In the case where the Party B’s Obligations at Early Termination Date still remain after the netting pursuant to Item (1), the amount of the Customer Initial Margin deposited with Party A by Party B (or the amount of money after realisation of the Substitute Securities in the case where the Customer Initial Margin consists of the Substitute Securities but Party A is not supposed to return the amount equivalent to the market value of the Substitute Securities pursuant to the preceding Article) shall be deducted from the remaining amount. In the case where the amount of the Party

B's Obligations at Early Termination Date after the deduction is a negative value, Party A shall be liable to return the amount equivalent to the absolute value of the negative value immediately to Party B.

- (3) In the case where the Party B's Obligations at Early Termination Date still remain after the deduction pursuant to Item (2), the amount of the Initial Margin deposited by Party B with JSCC (or the amount of money after realisation by Party A of the Substitute Securities in the case where the Initial Margin consists of the Substitute Securities) shall be deducted from the remaining amount. In the case where the amount of the Party B's Obligations at Early Termination Date after the deduction is a negative value, Party B may exercise the right to claim a return from Party A of the Initial Margin deposited by JSCC up to the amount equivalent to the absolute value of the negative value.
- (4) In the case where the Party B's Obligations at Early Termination Date still remain after the deduction pursuant to Item (3), the remaining amount shall constitute the obligations of Party B owed to Party A upon the termination of all the Clearing Brokerage Contracts (hereinafter referred to as "Party B's Final Obligations" in this Article) and the claims corresponding to the Party B's Final Obligations shall constitute the claims of Party A against Party B.
- (5) In the case where the Party A's Obligations at Early Termination Date still remain after the netting pursuant to the provision of Item (1), the total of the absolute value of the Party A's Obligations at Early Termination Date and the obligations to return the Customer Initial Margin pursuant to the provision of the preceding Article shall constitute the obligations of Party A owed to Party B upon the termination of all the Clearing Brokerage Contracts (hereinafter referred to as "Party A's Final Obligations" in this Article) and the claims corresponding to the Party A's Final Obligations shall constitute the claims of Party B against Party A.

Section 2 Default, etc. of Party A

(Article 37 Termination of Clearing Contracts Subject to Brokerage due to Default, etc. of Party A)

In the case where JSCC determines the Default, etc. of Party A, Clearing Contracts subject to Brokerage shall be automatically terminated on the date of such determination of JSCC as a matter of course without any further action or manifestation of intention by either JSCC or Party A.

(Article 38 Succession of Unsettled Contracts)

- 1 In the case where the Clearing Contracts subject to Brokerage are terminated pursuant to the preceding Article, Party B may, only within the period set forth in the Business Rules, etc., cause the claims and obligations set forth in the following Items (hereinafter collectively referred to as "Unsettled Contracts") to be collectively succeeded by any other Clearing Participant (hereinafter referred to as "Successor Clearing Participant") as a result of which the Unsettled Contracts shall arise *de novo* among JSCC, the Successor Clearing Participant

and Party B in accordance with the Business Rules, etc. with the payments and receipts of money and for the settlement of the claims and obligations resulting therefrom (hereinafter referred to as “Succession” in this Section) by filing with JSCC an application for the Succession in the form prescribed by JSCC through the Successor Clearing Participant in accordance with the Business Rules, etc.:

- (1) The claims and obligations whose terms and conditions as set forth in the Business Rules, etc. are same as those of the claims and obligations under the Clearing Contracts subject to Brokerage between Party A and JSCC (those are in effect immediately before the termination of the Clearing Brokerage Contracts pursuant to the preceding Article); and
 - (2) The claims and obligations whose terms and conditions as set forth in the Business Rules, etc. are same as those of the claims and obligations in respect of the Clearing Brokerage Contracts between Party A and Party B (those are in effect immediately before the termination of the Subject Clearing Brokerage Contracts pursuant to the preceding Article).
- 2 Party A and Party B shall hereby agree in advance that in the case where the Successor Clearing Participant succeeds to the Unsettled Contracts pursuant to the preceding Paragraph, the Initial Margin for which Party B has the right to claim a return pursuant to Article 14 shall be deemed upon the Succession as the Initial Margin deposited with JSCC through the Successor Clearing Participant acting as an agent.
- 3 In the case where Party B applies to JSCC for the Succession of the Unsettled Contracts pursuant to Paragraph 1, Party B shall apply for the Succession to, and obtain prior approval from, the Successor Clearing Participant.
- 4 In the case where the Successor Clearing Participant succeeds to the Unsettled Contracts, the claims and obligations in relation to the Subject Clearing Brokerage Contracts between Party A and Party B and the Variation Margin paid and received for the Subject Clearing Brokerage Contracts (excluding the obligations of Party A that is due at the time of the determination of the Default, etc. in respect of Party A) and the claims and obligations in relation to the Customer Initial Margin (limited to the extent deemed to have been deposited with JSCC by the Successor Clearing Participant acting as agent pursuant to Paragraph 2) shall be extinguished for the future in accordance with the Business Rules, etc.

(Article 39 Close-out Netting of Subject Clearing Brokerage Contracts in the Absence of Succession of Unsettled Contracts, etc.)

- 1 In the case where the Clearing Contracts subject to Brokerage are terminated pursuant to Article 37 but the Succession of the Unsettled Contracts set forth in the preceding Article does not take place, Party A and Party B shall pay and receive the cash in the amount equivalent to the Early Termination Fee for the termination of the Clearing Contracts subject to Brokerage as prescribed in the following Items.

- (1) The amount of the Early Termination Fee for each Clearing Contract subject to Brokerage shall be calculated reasonably by JSCC on a case by case basis based on

- the total Early Termination Fees calculated pursuant to the Business Rules etc. for all the Clearing Contracts to which Party A is a party and in view of the Notional Amount of the Clearing Contract subject to Brokerage, the structure of the Reference Entities, the relevant Issues and other related matters.
- (2) In the case where Party A is supposed to pay to Party B the amount equivalent to the Early Termination Fee calculated pursuant to Item (1), Party B shall be deemed to have a claim of such amount against Party A.
 - (3) In the case where Party B is supposed to pay to Party A the amount equivalent to the Early Termination Fee calculated pursuant to Item (1), Party A shall be deemed to have a claim of such amount against Party B.
- 2 In the case where the Clearing Contracts subject to Brokerage are terminated pursuant to Article 37 but the Succession of the Unsettled Contracts set forth in the preceding Article does not take place, Party A and Party B shall immediately return to the other party the Variation Margin deposited by the other party in accordance with this Agreement. Provided, however, except for the case where the claims and obligations related to the Variation Margin are settled pursuant to Paragraph 5, neither Party A nor Party B may claim a return of the Variation Margin from the other party until completion of settlement of all the Clearing Contracts subject to Brokerage under Paragraphs 2 and 3 of Article 23.
- 3 In the cases where the Clearing Contracts subject to Brokerage are terminated pursuant to Article 37 but the Succession of the Unsettled Contracts set forth in the preceding Article does not take place, Party A shall immediately return to Party B the Customer Initial Margin deposited by Party B. Provided, however, except for the case where the claims and obligations related to the Customer Initial Margin are settled pursuant to Paragraph 5, Party B may not claim a return of the Customer Initial Margin from Party A until completion of settlement of all the Clearing Contracts subject to Brokerage under Paragraph 1 of Article 23.
- 4 For the purpose of the preceding Paragraph, in the case where the Customer Initial Margin consists of or includes the Substitute Securities, Party A shall return the amount equivalent to the market value of the Substitute Securities used for the calculation of the substitute price of the Substitute Securities on the Initial Loss-Determination Date in relation to the Default, etc. of Party A (hereinafter referred to as "Initial Loss-Determination Date") in lieu of returning the Substituted Securities, unless otherwise agreed between Party A and Party B.
- 5 In the case where the Clearing Contracts subject to Brokerage are terminated pursuant to Article 37 but the Succession of the Unsettled Contracts set forth in the preceding Article does not take place, all the monetary obligations outstanding between Party A and Party B under this Agreement as of the Initial Loss-Determination Date (including the payment obligations for the amount equivalent to the Early Termination Fee set forth in Paragraph 1 (hereinafter referred to as "Early Termination Fee Amount"), the obligations to return the Variation Margin pursuant to the provisions of Paragraph 2, the obligations to return the Customer Initial Margin pursuant to the preceding two Paragraphs, the payment obligations of unpaid Fixed Amount, if any, and any and all other monetary obligations outstanding between Party A and Party B) (hereinafter referred to as "Existing Obligations at Initial Loss-Determination Date") shall be settled as prescribed in the following Items:

- (1) The total of the Early Termination Fee Amount payable by Party A to Party B upon termination of all the Clearing Contracts subject to Brokerage pursuant to Article 37, the total Variation Margins to be returned from Party A to Party B and other monetary obligations of Party A owed to Party B outstanding on the Initial Loss-Determination Date (except for the obligations to return the Customer Initial Margin pursuant to the preceding two Paragraphs, hereinafter referred to as “Party A’s Obligations at Initial Loss-Determination Date”) shall be netted out against the total of the Early Termination Fee Amount payable by Party B to Party A upon termination of the Clearing Contracts subject to Brokerage, the total Variation Margins to be returned from Party B to Party A and other monetary obligations of Party B owed to Party A outstanding on the Initial Loss-Determination Date (hereinafter referred to as “Party B’s Obligations at Initial Loss-Determination Date”).
- (2) In the case where the Party B’s Obligations at Initial Loss-Determination Date still remain after the netting pursuant to Item (1), the amount of the Customer Initial Margin deposited by Party B with Party A (or the amount of money after realisation of the Substitute Securities in the case where the Customer Initial Margin consists of the Substitute Securities but Party A is not supposed to return the amount equivalent to the market value of the Substitute Securities pursuant to Paragraph 3) shall be deducted from the remaining amount. In the case where the amount of the Party B’s Obligations at Early Termination Date after the deduction is a negative value, Party A shall be liable to return the amount equivalent to the absolute value of the negative value immediately to Party B.
- (3) In the case where the Party B’s Obligations at Early Termination Date still remain after the deduction pursuant to Item (2), the amount of the Initial Margin deposited by Party B with JSCC (or the amount of money after realisation of the Substitute Securities in the case where the Initial Margin consists of the Substitute Securities) shall be deducted from the remaining amount. In the case where the amount of the Party B’s Obligations at Early Termination Date after the deduction is a negative value, Party B may exercise the right to claim a return of the Initial Margin to JSCC up to the amount equivalent to the absolute value of the negative value.
- (4) In the case where the Party B’s Obligations at Early Termination Date still remain after the deduction pursuant to Item (3), the remaining amount shall constitute the obligations of Party B owed to Party A upon the termination of all the Subject Clearing Brokerage Contracts (hereinafter referred to as “Party B’s Final Obligations” in this Article) and the claims corresponding to the Party B’s Final Obligations shall constitute the claims of Party A against Party B.
- (5) In the case where the Party A’s Obligations at Initial Loss-Determination Date still remain after the netting pursuant to Item (1), the total of the remaining amount and the obligations to return the Customer Initial Margin pursuant to the provisions of the preceding two Paragraphs shall constitute the obligations of Party A owed to Party B upon the termination of all the Subject Clearing Brokerage Contracts (hereinafter

referred to as “Party A’s Final Obligations” in this Article) and the claims corresponding to the Party A’s Final Obligations shall constitute the claims of Party B against Party A.

- 6 In the case where Party A owes the Party A’s Final Obligations pursuant to the preceding Paragraph, Party A shall perform the Party A’s Final Obligations by the time agreed between Party A and Party B (or promptly, absent such agreement) and by the method agreed between Party A and Party B.
- 7 In the case where Party B owes the Party B’s Final Obligations pursuant to Paragraph 5, Party B shall perform the Party B’s Final Obligations by such time and by such method as specified by Party A.

Section3 Succession of Unsettled Contracts Due to Default, etc. of Other Clearing Participants

(Article 40 Succession of Unsettled Contracts Due to Default, etc. of Other Clearing Participants)

- 1 In the case where JSCC has determined the Default, etc. of any other Clearing Participant with whom Party B has entered into the Clearing Brokerage Agreement (such other Clearing Participant shall be hereinafter referred to as “Defaulting Clearing Participant”) and where the Clearing Contracts of the Defaulting Clearing Participant outstanding on the account of Party B are terminated, if Party B applies for, and Party A accepts, succession of these Clearing Contracts and other claims and obligations set forth in the Business Rules, etc. (hereinafter collectively referred to as “Defaulting Clearing Participant’s Unsettled Contracts”), as a result of which the Defaulting Clearing Participant’s Unsettled Contracts shall arise *de novo* among JSCC, Party A and Party B in accordance with the Business Rules, etc. with payments and receipts of money and the settlement of the claims and obligations resulting therefrom (hereinafter referred to as “Succession” in this Article), Party A shall succeed to the Defaulting Clearing Participant’s Unsettled Contracts in accordance with the Business Rules, etc.
- 2 In the case where Party A agrees to succeed to the Defaulting Clearing Participant Unsettled Contracts pursuant to the preceding Paragraph and receives an application for the Succession from Party B in accordance with the Business Rules, etc., Party A shall file with JSCC the application for the Succession, which shall specify the effect that Party A received and accepted the application for the Succession, that Party B applies to JSCC for the Succession, and that Party A also applies to JSCC for the Succession.
- 3 In the case where Party A succeeds to the Defaulting Clearing Participant’s Unsettled Contracts pursuant to Paragraph 1, the Defaulting Clearing Participant’s Unsettled Contracts succeeded by Party A shall be deemed as the Clearing Contracts subject to Brokerage and the Clearing Brokerage Contracts for the purpose of this Agreement and the provisions of this Agreement shall apply thereto.
- 4 Party A and Party B hereby agree in advance that in the case where Party A succeeds to the Defaulting Clearing Participant’s Unsettled Contracts pursuant to Paragraph 1, the Initial

Margin for which Party B has the right to claim a return pursuant to the provisions of the Clearing Brokerage Agreement between Party B and the Defaulting Clearing Participant shall be deemed upon the Succession as the Initial Margin deposited with JSCC through Party A acting as an agent.

Section 4 Participation in Auction for Default Settlement etc. for Other Clearing Participant

(Article 41 Hedge Transaction)

- 1 Based on the entrustment of brokerage from Party B, Party A may carry out the Hedge Transactions with JSCC in accordance with Paragraph 1 of Article 94 of the Business Rules on the account of Party B.
- 2 In the case where any Hedge Transaction is executed between JSCC and Party A pursuant to the preceding Paragraph, the Hedge Transaction shall be deemed as the Clearing Contract subject to Brokerage executed through the entrustment of Brokerage for Clearing of Securities, etc. to Party A by Party B and the legal relationships between Party A and Party B in respect of the Hedge Transaction shall be deemed as the Subject Clearing Brokerage Contract in respect of the Hedge Transaction thus deemed as the Clearing Contract subject to Brokerage pursuant to this Paragraph, respectively, to both of which the provisions of this Agreement shall apply.

(Article 42 Auction for Default Settlement)

- 1 Based on the entrustment for brokerage from Party B, Party A may participate in the Auction for Default Settlement on the account of Party B. In the case where Party A wins a bid for all or part of the Subject Transactions for Auction, these Subject Transactions for Auction shall be executed between JSCC and Party A on the account of Party B.
- 2 In the case where the Subject Transactions for Auction are executed between JSCC and Party A pursuant to the preceding Paragraph, the Subject Transactions for Auction shall be deemed as the Clearing Contracts subject to Brokerage executed through the entrustment of Brokerage for Clearing of Securities, etc. to Party A by Party B and the legal relationships between Party A and Party B in respect of the Subject Transactions for Auction shall be deemed as the Clearing Brokerage Contracts for the Subject Transactions for Auction thus deemed as the Clearing Contract subject to Brokerage pursuant to the provisions of this Paragraph, respectively, to both of which the provisions of this Article shall apply.

Chapter 7 Miscellaneous Provisions

(Article 43 Voluntary Termination of this Agreement)

- 1 This Agreement may be terminated by mutual agreement upon consultation between Party A and Party B.
- 2 In addition to the preceding Paragraph, either Party A or Party B may terminate this Agreement by giving a written notice of termination to the other party not less than ○ JSCC Business Days prior to the date on which it intends to terminate this Agreement.

- 3 In the case where Party A intends to terminate this Agreement pursuant to the preceding two Paragraphs, Party A shall give prior notification to JSCC. Such notification shall be given by the third JSCC Business Day prior to the date on which it intends to terminate this Agreement in the event of the termination pursuant to Paragraph 1 or without delay after Party A offers or receives the written notice of termination to or from the other party, as the case may be, in the event of the termination pursuant to Paragraph 2.
- 4 The provisions of this Agreement shall continue to apply to the Clearing Brokerage Contracts executed before the termination of this Agreement pursuant to Paragraph 1 or 2.
- 5 Notwithstanding Paragraphs 1 and 2, the termination of this Agreement shall not take effect until the notification given under Paragraph 3 reaches JSCC.

(Article 44 Compulsory Termination of this Agreement, etc.)

- 1 In the case where any Event of Default occurs and is continuing in respect of Party B, Party A may terminate this Agreement immediately by giving a written notice of not more than 20 days to Party B. Provided, however, in the case where Party A and Party B agree that this Agreement shall be automatically terminated as a matter of course without a written notice from Party A to Party B in the event of occurrence of all or part of the Events of Default, such agreement shall prevail.
- 2 In the case where JSCC determines the Default, etc. of Party A, this Agreement shall be automatically terminated as a matter of course without any further action or manifestation of intention either from Party A or Party B upon completion of the settlement of all the outstanding Clearing Brokerage Contracts.
- 3 In the case where this Agreement is terminated pursuant to the preceding two Paragraphs, Party A or Party B shall notify JSCC to that effect in advance or without delay after the termination.
- 4 Notwithstanding Paragraphs 1 and 2, the termination of this Agreement shall not take effect until the notification given under the preceding Paragraph reaches JSCC.
- 5 In the case where the settlement of the Subject Clearing Brokerage Contracts has not been completed yet at the time of the termination of this Agreement pursuant to the provisions of Paragraph 1, this Agreement shall continue to apply to those Subject Clearing Brokerage Contracts and the settlement thereof.

(Article 45 Reports)

- 1 Upon request of Party A, Party B shall report to Party A without delay on the necessary matters related to the Subject Clearing Brokerage Contracts.
- 2 Upon occurrence of any Event of Default, Party B shall immediately report thereof to Party A in writing.

(Article 46 Prohibition of Assignment of Claims, etc.)

Neither Party A nor Party B may assign, pledge or otherwise dispose of any of its claims under this Agreement to any third party.

(Article 47 Confidentiality)

- 1 Party A and Party B shall maintain the confidentiality of, and shall not use for any other purpose, any of the business secrets (which means the information unknown to the public and having considerable benefits objectively because it is unknown to others) of the other party obtained in the course of business in connection with this Agreement.
- 2 Party A and Party B shall not divulge any of the business secrets set forth in the preceding Paragraph to any third party, except the cases set forth below or when it has any other good reason to do so:
 - (1) In the case where it obtains a prior written consent from the other party;
 - (2) In the case where the disclosure or provision thereof is required by an order or request from the court, competent authority or any other public institution or the financial instruments exchanges or any other self-regulatory organizations or by law or regulation;
 - (3) In the case of disclosure or provision to a lawyer, certified public accountant, tax accountant or other professional or any other corporation in the Corporate Group including itself to the extent necessary for its performance of this Agreement or for the protection of its rights; or
 - (4) In the case of reporting to JSCC or responding to investigations conducted by JSCC.

(Article 48 Notice of Changes in Notified Matters)

Party B shall immediately give a written notice to Party A of any change in its trade name, name, or representative, or its seal impression or signature, address or location of its office or other matters previously notified to Party A.

(Article 49 Disclaimer)

- 1 Neither Party A nor JSCC shall be liable for any damage resulting from a delay in the return of the Margin requested by Party B or the performance of any other obligation due to an act of God or other event of force majeure.
- 2 Neither Party A nor JSCC shall be liable for a loss, ruin or destruction of the Margin or other damage resulting from any of the causes set forth in the preceding Paragraph.
- 3 As long as Party A has verified with due care and concluded that a seal impression or signature on a written notification or other document is the same as the seal impression or specimen signature notified to Party A in advance, Party A shall not be liable for any damage resulting from forgery, falsification or similar accident on the document.

(Article 50 Effectiveness of Notice)

- 1 Any notice or other communications between Party A and Party B in connection with this Agreement shall be made by any of the methods set forth in the following Items to the address or office notified by Party B to Party A or in accordance with the details of electronic

communication system or electronic mails and shall become effective at such time as set forth in each of the following Items (if such time does not fall on a day which is not a Local Business Day (which means a day on which commercial banks located in the place designated by Party B as its address for receiving notifications are open for general business, including the dealings in foreign exchange and foreign currency deposits); the same shall apply in this Paragraph) or after the business hours of a Local Business Day, at such time on the following Local Business Day); provided, however, that a notice or other communications between Party A and Party B in relation to the matters set forth in Article 33 or 34 shall be made by any of the methods other than those set forth in Items (5) and (6).

- (1) Delivery by hand or by mail in writing: the date of receipt;
- (2) Transmission by telex: the date of receipt of an answer back from the recipient;
- (3) Transmission by facsimile: the date of receipt of the message in a legible form by a qualified employee of the recipient.
- (4) Sending by a contents-certified or registered mail or by equivalent method: the date of delivery or attempted delivery;
- (5) Sending through an electronic communication system: the date of receipt; or
- (6) Sending by electronic mail: the date of dispatch.

2 Any notice given between Party A and Party B to the address or office notified by Party B to Party A shall be deemed to have arrived at the time when the notice should arrive under ordinary circumstances, even if the notice is delayed or fails to arrive for any reason attributable to Party B.

(Article 51 Standard Time)

Unless otherwise set forth in this Agreement, all references to the year, month, day and time used in this Agreement shall be based on the Japan Standard Time.

(Article 52 Reports by Electromagnetic Means, etc.)

If approved by Party A, Party B may, instead of a written report set forth in Paragraph 2 of Article 45 or a written notification set forth in Article 48 (excluding those in respect of changes in its seal impression or signature), provide the information to be stated on such report or notification by using an electronic information processing system or other information and communication technology. In this case, Party B shall be deemed to have provided such information by a written report or notification.

(Article 53 Execution of Memorandum of Understanding)

Party A and Party B may enter into a memorandum of understanding or other agreement on the matters related to this Agreement or the entrustment of Brokerage for Clearing of Securities, etc. under this Agreement (including the matters related to default charges and bank transfer fees and other matters not prescribed in this Agreement) to the extent not inconsistent or in conflict with this Agreement and the Business Rules, etc.

(Article 54 Matters not Prescribed in this Agreement)

Matters not prescribed in this Agreement in connection with the Subject Clearing Brokerage Contracts shall be subject to the memorandum of understanding or other agreement entered

into between Party A and Party B pursuant to the preceding Article, if any, or by the Business Rules, etc.

(Article 55 Precedence)

In the event of any inconsistency or conflict between any agreement between Party A and Party B and the provisions of this Agreement and the Business Rules etc., the provisions of this Agreement and the Business Rules, etc. shall prevail to the extent of such inconsistency or conflict.

(Article 56 Governing Law)

This Agreement shall be governed by and construed in accordance with the laws of Japan.

(Article 57 Jurisdiction)

- 1 Party A and Party B hereby agree that the competent court in the location of head office or ○
○ branch of Party A shall have the jurisdiction over all litigations relating to either this Agreement or the Subject Clearing Brokerage Contracts.
- 2 Notwithstanding the preceding Paragraph, Party A and Party B may separately agree on the exclusive jurisdiction or mediation in respect of any dispute relating to either this Agreement or the Subject Clearing Brokerage Contracts.

(Article 58 Change of Applicable Provisions when Transferring Clearing Brokerage Contracts)

- 1 When Party B Transfers Subject Clearing Brokerage Contracts to Party A or another Clearing Customer, Party B accepts Transfer of Clearing Brokerage Contracts from another Clearing Customer or Party A Transfers Clearing Contracts (only those on Party A's book) to Party B, the title of Chapter 4 shall be "Chapter 4 Compression and Ad Hoc Compression of Clearing Contract Subject to Brokerage and Transfer of Clearing Brokerage Contracts" instead of "Chapter 4 Compression and Ad Hoc Compression of Clearing Contract Subject to Brokerage."
- 2 When Paragraph 1 applies, Articles 26 and 27 shall be deemed to have been replaced with the following provisions:

“(Article 26 Transfer of Subject Clearing Brokerage Contracts to Party A or Other Clearing Customer)

- 1 In accordance with the Business Rules, etc., Party B may transfer the Subject Clearing Brokerage Contracts to Party A or any other Clearing Customer (hereinafter referred to as “Position Transferee Clearing Customer”) as a result of which the Subject Clearing Brokerage Contract shall be terminated and the claims and obligations thereunder shall cease to have further effect in accordance with the Business Rules, etc., or the Subject Clearing Brokerage Contract shall be terminated and the claims and obligations thereunder shall cease to have further effect in accordance with the Business Rules, etc. and simultaneously a new legal relationship shall be established between the other Clearing Customer for which Party A acts as the Clearing Participant on Customer Account and Party A with the same terms and conditions as those of the Subject Clearing Brokerage Contracts

(hereinafter referred to in this article as “Position Transfer”).

- 2 In the case where Party B intends to carry out a Position Transfer of any Subject Clearing Brokerage Contract to the Position Transferee Clearing Customer, Party B shall agree in advance with Party A (or Party A and the Position Transferee Clearing Customer, when Transferring the Subject Clearing Brokerage Contract to the Position Transferee Clearing Customer) on the settlement of claims and obligations arising from the Position Transfer between Party A (or Party A and the Position Transferee Clearing Customer, when Transferring the Clearing Brokerage Contract to the Position Transferee Clearing Customer) and Party B and other necessary matters.

(Article 27 Position Transfer of Clearing Brokerage Contracts from Other Clearing Customer)

- 1 In accordance with the Business Rules, etc., Party B may receive a transfer from any other Clearing Customer for which Party A is acting as a Clearing Participant on Customer Account (hereinafter referred to as “Position Transferor Clearing Customer”) of legal relationships between the Position Transferor Clearing Customer and Party A (limited to the legal relationships similar to those under the Clearing Brokerage Contract (hereinafter referred to as “Position-Transferred Clearing Brokerage Contract”)), as a result of which the Position-Transferred Clearing Brokerage Contract shall be terminated and the claims and obligations thereunder shall cease to have further effect in accordance with the Business Rules, etc. and simultaneously a new legal relationship shall be established between Party B and Party A with the same terms and conditions as those of the Position-Transferred Clearing Brokerage Contracts (hereinafter referred to in this article as “Position Transfer”).
- 2 In the case where Party B intends to receive a Position Transfer of the Position-Transferred Clearing Brokerage Contract from the Position Transferor Clearing Customer, Party B shall agree in advance with Party A and the Position Transferor Clearing Customer on the settlement of claims and obligations arising from the Position Transfer among Party B, Party A and the Position Transferor Clearing Customer and other necessary matters.”
- 3 When Paragraph 1 applies, the following new article shall be deemed to have been added after Article 27:

“(Article 27-2 Transfer of Clearing Contract from Party A)

- 1 In accordance with the Business Rules, etc., Party A may transfer the Clearing Contracts (only those on Party A’s book) between Party A and JSCC to Party B, as a result of which new legal relationship with the identical economic terms as the Clearing Contracts on Party A’s book comes into existence (referred to in this article as “Position Transfer”).
- 2 When Party A intends to carry out a Position Transfer of Clearing Contracts to Party B, Party A shall agree in advance with Part B on the settlement of claims and obligations arising from the Position Transfer between Party B and Party A and other necessary matters.”

(Article 59 Change of Applicable Provisions when Transferring Clearing Brokerage Contracts and the like)

- 1 Notwithstanding the provisions of Article 58, Paragraph 1 and Paragraph 2, when Party B transfers the Subject Clearing Brokerage Contract to Party A, other Clearing Participant or other Clearing Customer, or when Party B accepts transfer of Clearing Brokerage Contract from another Clearing Customer or transfer from Party A or other Clearing Participant of Clearing Contract on such Clearing Participant's proprietary book, Articles 26 and 27 shall be deleted and a new Chapter shall be added after Chapter 4 as follows:

“Chapter 4-2 Transfer of Clearing Brokerage Contracts and the like

(Article 26. Transfer of Subject Clearing Brokerage Contracts to Party A, Other Clearing Participant or Other Customer)

- 1 Subject to the provisions of the Business Rules, etc., Party B may transfer the Subject Clearing Brokerage Contracts to Party A, any other Clearing Participant or any other Clearing Customer (referred to as “Transferee Customer” in this Article).

For the purpose of this Article, “transfer” means (i) to have a Subject Clearing Brokerage Contract terminated pursuant to the provisions of the Business Rules, etc. and have the claims and obligations thereunder cease to have future effect pursuant to the provisions of the Business Rules, etc., or (ii) to have a Subject Clearing Brokerage Contract terminated pursuant to the provisions of the Business Rules, etc. and have the claims and obligations thereunder cease to have future effect and simultaneously to have a new legal relationship with the same terms and conditions come into effect between the Transferee Customer and the Clearing Participant on Customer Account for the Transferee Customer.

- 2 Before requesting a transfer of a Subject Clearing Brokerage Contract, Party B shall agree in advance with Party A, and the Clearing Participant accepting the transfer, if the Subject Clearing Brokerage Contract is transferred to another Clearing Participant, or the Transferee Customer and the Clearing Participant on Customer Account for the Transferee Customer, if the Subject Clearing Brokerage Contract is transferred to a Transferee Customer, on the settlement of claims and obligations between them arising from the transfer and other necessary matters.

(Article 27. Transfer of Clearing Brokerage Contracts from Other Customer)

- 1 Subject to the provisions of the Business Rules, etc., Party B may accept a transfer from another Customer (referred to as “Transferor Customer” in this Article) of legal relationship between the Transferor Customer and the Clearing Participant on Customer Account for the Transferor Customer that are similar to Clearing Brokerage Contracts (referred to as “Transferred Clearing Brokerage Contract”).

For the purpose of this Article, “transfer” means to have Transferred Clearing Brokerage Contract terminated and the claims and obligations thereunder cease to have future effect pursuant to the provisions of the Business Rules, etc. and simultaneously to have a new legal relationship with the same terms and conditions as the Transferred Clearing Brokerage Contract come into effect between Party A and Party B.

- 2 Before accepting transfer of the Transferred Clearing Brokerage Contract from the Transferor Customer, Party B shall agree in advance with Party A and the Transferor Customer (or, when accepting transfer from the Transferor Customer whose Clearing Participant on Customer Account is a Clearing Participant other than Party A, the Transferor Customer and the Clearing Participant on Customer Account for the Transferor Customer) on the settlement of claims and obligations among them arising from said transfer and other necessary matters.”
- 2 Notwithstanding the provisions of Article 58, Paragraph 3, when Paragraph 1 applies, following two new articles shall be added after Article 27, and the provisions below shall be applied;

“(Article 27-2. Transfer of Clearing Contracts from Party A)

- 1 Subject to the provisions of the Business Rules, etc., Party A may transfer to Party B the Clearing Contracts between Party A and JSCC on Party A’s proprietary book.

For the purpose of this Article, “transfer” means to have a new legal relationship having the same economic effect as the Clearing Contracts on Party A’s proprietary book come into effect between Party A and Party B.

- 2 When intending to transfer Clearing Contracts to Party B, Party A shall agree in advance with Party B on the settlement of claims and obligations between Party A and Party B arising from the transfer and other necessary matters.

(Article 27-3. Transfer of Clearing Contracts from Other Clearing Participant)

- 1 Subject to the provisions of the Business Rules, etc., Party B may accept a transfer from a Clearing Participant other than Party A (referred to as “Transferor Clearing Participant” in this Article) the Clearing Contracts between the Transferor Clearing Participant and JSCC on the Transferor Clearing Participant’s proprietary book.

For the purpose of this Article, “transfer” means to have a new legal relationship having the same economic effect as the Clearing Contracts on the Transferor Clearing Participant’s proprietary book come into effect between Party A and Party B.

- 2 When intending to accept a transfer of Clearing Contracts from a Transferor Clearing Participant, Party B shall agree in advance with Party A and the Transferor Clearing Participant on the settlement of claims and obligations among them arising from the transfer and other necessary matters.”

Note 1) Party A and Party B may determine the number of days to be inserted in “○ JSCC Business Days” in Paragraph 2 of Article 43 by mutual agreement.

Note 2) Party A and Party B may amend Article 47 of this Agreement (except for Item (4) of Paragraph 2 of said Article) with their mutual agreement.

Note 3) Party A and Party B may delete, or determine the name of the branch inserted into, “or

〇〇 branch” in Paragraph 1 of Article 57. Party A and Party B may amend Paragraphs 1 and 2 of the said Article appropriately by mutual agreement.

- Note 4) Party A and Party B may incorporate their separate agreements as prescribed in this Agreement by the phrases “by mutual agreement” or “otherwise agreed between Party A and Party B” or similar phrases into the provisions of this Agreement by entering into a memorandum of understanding pursuant to Article 53, or by cross-reference to the relevant provision or provisions of this Agreement or any of the Appendices or otherwise.
- Note 5) Party A and Party B may delete Articles 58 and 59 of this Agreement, if they do not intend to use the transfer mechanism set forth in Article 59.
- Note 6) Party A and Party B may delete Article 59 of this Agreement if, out of the transfer mechanism set forth in Article 59, they do not intend to be involved in any transfer (such transfer shall be hereinafter referred to as “Note 6 Transfer”) other than a transfer by Party B of Subject Clearing Brokerage Contracts to Party A or other Clearing Customer in the same Corporate Group as Party B and Party A for which Party A provides Clearing Brokerage service, and a transfer to Party B (i) by another Clearing Customer in the same Corporate Group as Party B and Party A for which Party A provides Clearing Brokerage service of Clearing Brokerage Contracts or (ii) by Party A of the Clearing Contracts on Party A’s proprietary book.
- Note 7) When Party A and Party B will perform Note 6 Transfer only, Party A and Party B may delete Article 58 of this Agreement, and further delete the phrase “Notwithstanding the provisions of Article 58, Paragraph 1 and Paragraph 2” from Article 59, Paragraph 1 and the phrase “Notwithstanding the provisions of Article 58, Paragraph 3” from Article 59, Paragraph 2.

<Exhibit Form 4> Letter of Undertaking

Letter of Undertaking

Date: / /

To [], President & CEO of Japan Securities Clearing Corporation

Address _____

Trade Name or Company Name _____

Name of the Representative _____ (Seal)

[] (hereinafter referred to as the “Company”) confirms and accepts the details of the CDS Clearing Business Rules prescribed by JSCC (hereinafter referred to as the “Business Rules”), etc. in advance and submits this written pledge (hereinafter referred to as this “Pledge”) through the Clearing Participant on Customer Account to JSCC in accordance with the provisions of Paragraph 2 of Article 42 of the Business Rules and the provisions of Paragraph 1 of Article 3 of the Clearing Brokerage Agreement concluded with [] (hereinafter referred to as the “Clearing Participant on Customer Account”) on [Date]. The terms used in this Letter of Undertaking shall have the meanings prescribed in the Business Rules unless otherwise provided in this Letter of Undertaking.

- 1 The Company shall abide by and comply with the Business Rules, etc. (in the case the Business Rules, etc. are amended in accordance with the Business Rules, etc., the Business Rules, etc. as amended) and the Clearing Brokerage Agreement concluded with the Clearing Participant on Customer Account in respect of CDS Clearing Business conducted by JSCC, Clearing Brokerage Contracts to be executed with the Clearing Participant on Customer Account and other matters specified by the Business Rules, etc.
- 2 The Company agrees that:
 - (1) The provisions of the Business Rules, etc. and the Clearing Brokerage Agreement concluded with the Clearing Participant on Customer Account shall apply to the current and future claims and obligations concerning Initial Margin and the matters listed in each Item of Paragraph 1 of Article 1 of the Business Rules.
 - (2) In the case the provisions of the Business Rules, etc. and the Clearing Brokerage Agreement concluded with the Clearing Participant on Customer Account are amended in accordance with the provisions of the Business Rules, etc., this Letter of Undertaking shall be automatically amended according to such amendments.
 - (3) Clearing Customer may make available any information related to Underlying Transaction of Clearing Brokerage to a Clearing Participant on Customer Account and such Clearing Participant on Customer Account may receive such information in an entrustment of Brokerage for Clearing of Securities, etc. whose Underlying Transaction of Clearing Brokerage is entered into between a Clearing Customer acting through any Clearing Participant on Customer Account other than the Clearing Participant on Customer Account defined in this Letter of Undertaking above on one

hand and the Company on the other.

- (4) JSCC will keep this Letter of Undertaking for the benefit also of the Clearing Participant or the Clearing Customer referred to in Item (3) above as a document certifying that the Company has agreed to the matters set forth in Item (3) above, and will disclose this Letter of Undertaking or any substance thereof to such Clearing Participant or the Clearing Customer to an extent required by law.