Handling of Calculation Method of Net Present Value
relating to Calculation of Margin for CDS Transactions

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Amended on September 5, 2012
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Japan Securities Clearing Corporation

1. Matters relating to Calculation Method of Net Present Value (Article 4 of Handling Procedures of CDS Clearing Business Rules)
   (1) The calculation method of the Net Present Value used for a calculation of the Cash Settlement Amount shall be the method of utilizing ISDA Standard Model, based on the Settlement Price calculated in accordance with the method set forth in Article 75 of the CDS Clearing Business Rules.
   (2) When calculating the Net Present Value, any unsettled Initial Payment Amount shall be taken into account.
   (3) Notwithstanding the provisions of Item (1), in such event as a Settlement Price cannot be calculated due to a failure of the systems installed by JSCC or by any other organization, the Net Present Value shall be calculated according to the "Contingency Plan with regard to Calculation of Required Initial Margin Amount for CDS."
   (4) Notwithstanding the provisions of Item (1), when, due to a change of ISDA Standard Model used for a calculation of the Net Present Value or a change of discount rate or other parameters used in that model, two types of the Net Present Value, i.e., the one before such change and the one after such change, exist, and JSCC considers it necessary, JSCC shall adjust the amount equivalent to the difference between the Net Present Values before and after said change in the manner prescribed by JSCC at each time.

2. Matters relating to Rate of Change JSCC Prescribes as Extremely Large Fluctuation (Appendix 2, Section 1.a.(b) to Handling Procedures of CDS Clearing Business Rules)
   (1) The rate of change JSCC prescribes as "extremely large fluctuation" used in the calculation of the Required Initial Margin shall be the rate equivalent to the historical rate of rise and fall, respectively, in the spread of each issue during the Margin Period of Risk (MPOR), whose

absolute value is the largest.

(2) The Margin Period of Risk (MPOR) set forth in Item (1) shall be 10 days.

3. Matters relating to Short Charge (Appendix 2, Section 1.b. to Handling Procedures of CDS Clearing Business Rules)

   For the calculation of “Short Charge” comprising a part of the Required Initial Margin, the ratio to be prescribed in the public notice shall be 48%.

4. Matters relating to Base Bid & Offer Spread (Appendix 2, Section 1.c. to Handling Procedures of CDS Clearing Business Rules)

   The base bid & offer spread used in the calculation of the “Bid & Offer Charge” comprising a part of the Required Initial Margin shall be the value obtained by multiplying the spread between bid or offer and mid for each classification listed below by PV01 by Issue (“PV01” refers to the value of change in the Net Present Value when the spread moves 1basis point):

   (1) Index CDS Transaction:

   One-half of the constraint grid of the quote (referring to a bid-offer spread used for an adjustment of the quotes submitted by Clearing Participants to calculate the Settlement Price); and

   (2) Single Name CDS Transaction:

   Spread between bid or offer and mid JSCC defines for each Reference Entity.