

Rules on Required CDS Clearing Fund Amount

(Article 1 Purpose, etc.)

- 1 The purpose of these Rules on Required CDS Clearing Fund Amount (hereinafter referred to as “Rules”) is to prescribe the Required CDS Clearing Fund Amount pursuant to the provisions of Article 17 of the CDS Clearing Business Rules (hereinafter referred to as “Business Rules”) established by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”).
- 2 The terms used in these Rules shall have the meanings of the same terms used in the Business Rules unless otherwise prescribed in these Rules.

(Article 2 Required CDS Clearing Fund Amount)

- 1 The Required CDS Clearing Fund Amount of each Clearing Participant shall be calculated every business day as prescribed in “Calculation of Required CDS Clearing Fund Amount” attached hereto as Appendix; provided, however, that JSCC may change the Required CDS Clearing Fund Amount on a temporary basis only when the relevant Clearing Participant merges or is merged into another entity or JSCC otherwise deems it necessary.
- 2 Notwithstanding the provisions of the preceding Paragraph, the Required CDS Clearing Fund Amount that is to be deposited with JSCC by an applicant for the CDS Clearing Qualification shall be the amount prescribed by JSCC on each applicable occasion, taking into account such information as: (i) such applicant’s business scale, (ii) such applicant’s trading record and prospects and (iii) the amount obtained by dividing the total Required CDS Clearing Fund Amount of each Clearing Participant by the number of Clearing Participants on the date on which such applicant has applied for the CDS Clearing Qualification, and such Required CDS Clearing Fund Amount shall be applied until when the CDS Transaction entered into by such applicant after being successfully granted the CDS Clearing Qualification comes to be properly reflected in the Required CDS Clearing Fund Amount which is calculated pursuant to the provisions of the preceding Paragraph.

Supplementary Provisions

These Rules shall be enforced effective as of 19 July 2011.

Supplementary Provisions

These amended Rules shall be enforced effective as of 24 February 2014.

Supplementary Provisions

These amended Rules shall be enforced effective as of 28 February 2014.

Supplementary Provisions

1. These amendments shall come into force as of 25 September 2018.
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 Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after 25 September 2018.

Supplementary Provisions

1. These amendments shall come into force as of 22 May 2023.
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 Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after 22 May 2023.

Appendix Calculation of Required CDS Clearing Fund Amount

1. In respect of each Clearing Participant, a Required CDS Clearing Fund Amount shall be calculated as of each CDS Clearing Fund Calculation Date (which is the day on which a Required CDS Clearing Fund Amount is calculated; the same applies hereinafter) as the larger of “Expected Stressed Loss Share” or 100 million yen.
2. Expected Stressed Loss Share in the preceding Paragraph on the CDS Clearing Fund Calculation Date shall be the amount obtained by prorating the total the Risk Amounts Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant’s Risk Amount Exceeding Collateral (or, if any subsidiary or affiliate, or the parent company of such Clearing Participant, or any subsidiary or affiliate of the parent company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such affiliated companies) by Required Initial Margin Amount of each the Clearing Participants (in respect of a Clearing Participant for whom the Required Initial Margin Amount is raised, the Required Initial Margin Amount before such raise) on the CDS Clearing Fund Calculation Date.

For the purpose of the foregoing, “Risk Amount Exceeding Collateral” means the sum of each amount (provided that if such amount is a negative figure, the amount shall be treated as zero (0)) calculated on the CDS Clearing Fund Calculation Date for the Clearing Participant’s Proprietary Transaction Account and each Customer Transaction Account (or the Sub-Account where the same has been opened by JSCC pursuant to Paragraph 6 of Article 59 of the Business Rules) as the Stressed Risk Value (the amount calculated in the manner prescribed by JSCC through notification, equivalent to the amount of expected loss in respect of such Clearing Contracts incurred by such Clearing Participant due to extremely large volatility of the price of the CDS transaction) of the Clearing Contract held in the Clearing Participant’s such Proprietary Transaction Account and each of such Customer Transaction Accounts, less the smaller of the Required Initial Margin Amount or Initial Margin Deposited Amount for such Proprietary Transaction Account and each of such Customer Transaction Account as of the same JSCC Business Day (in respect of a Clearing Participant for whom the Required Initial Margin Amount is raised, the Required Initial Margin Amount after such raise).