

CDS Default Management Committee Rules

(Article 1 Purpose)

The purpose of these CDS Default Management Committee Rules (hereinafter referred to as these “Rules”) is to set forth the authority, organisation, manner of appointment of a committee member and other matters necessary for administration of the CDS Default Management Committee pursuant to the Business Rules (hereinafter referred to as the “Business Rules”) established by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”).

(Article 2 Definitions)

The terms used in these Rules shall have the meanings of the same terms used in the Business Rules unless otherwise specified in these Rules.

(Article 3 Establishment of CDS Default Management Committee)

- 1 JSCC shall establish the CDS Default Management Committee (hereinafter referred to as the “Committee”) as a permanent advisory committee of the board of directors of JSCC.
- 2 The Committee consists of the committee members appointed pursuant to the provisions of Article 6 hereof.

(Article 4 Matter for Consultation)

- 1 The matters to be prescribed by JSCC as set forth in Paragraph 1 of Article 93 of the Business Rules shall be as follows:
 - (1) matters concerning execution, trade conditions and counterparties of Hedge Transaction;
 - (2) matters concerning holding, form, conditions, date and time and operation of Auction for Default Settlement; or
 - (3) any other matters concerning settlement of Clearing Contracts of Defaulting Clearing Participant, etc. in respect of which JSCC seeks separately advice
- 2 JSCC shall respect the Committee’s or committee member’s advice, if any, as to the matters listed in each Item of the preceding Paragraph.

(Article 5) Deleted

(Article 6 Appointment of Committee Member, etc.)

- 1 JSCC shall designate all the Clearing Participants as committee members.
- 2 In the case where the CDS Clearing Qualification of a Clearing Participant is renounced or JSCC determines the Default, etc. of a committee member after the appointment thereof pursuant to the immediately preceding Paragraph, JSCC shall cancel the appointment of the relevant committee member simultaneously with such renunciation or determination.

- 3 In the case where JSCC deems that a committee member or a representative of the committee member is unable to perform his, her or its duties as a committee member in light of the transaction records of CDS Transactions, etc. or there is any other unavoidable reason, JSCC may cancel the appointment of the committee member.

(Article 7 Notification, etc. of Representative of Committee Member)

- 1 A committee member shall notify with JSCC of at least one person who has expertise in trading practice of CDS Transactions and acting as a representative or an agent of the committee member in respect of the duties as a committee member from among officers and employees of the committee member or any other entity included in the Corporate Group including the committee member as a representative or an agent of the committee member (hereinafter referred to as the “Representative of Committee Member”) in the written form prescribed by JSCC immediately after the appointment thereof.
- 2 When a committee member changes its Representative of Committee Member, it shall notify with JSCC of a new Representative of Committee Member in the written form prescribed by JSCC.

(Article 8 Obligations of Committee Members, etc.)

- 1 Not more than three of the committee members (excluding those who have submitted a notification to the effect that it is difficult to give advice as prescribed by JSCC due to unavoidable circumstances) randomly selected by JSCC every time the default of a Clearing Participant is determined shall individually or as Committee give advice to JSCC on the matters prescribed in each Item of Paragraph 1 of Article 4 hereof.
- 2 A committee member or a Representative of Committee Member (including a person who once was a committee member or Representative of Committee Member) shall keep confidentiality of information (meaning the fact which is not known to the public and entails objectively reasonable interests for not being known to others) obtained in the performance of their duties and may not use for any other purposes or divulge to a third party any such confidential information except the cases prescribed in the following Items or without any other justifiable grounds:
 - (1) when JSCC’s written consent is obtained in advance;
 - (2) when it is required to disclose or provide such confidential information pursuant to orders or requests from courts, supervisory authorities or other public institutions, financial instruments exchanges or other self-regulatory organisations, or provisions of laws and regulations; or
 - (3) when such information is disclosed or provided to professional advisors such as lawyers, certified public accountants, licensed tax accountants, etc. or other entity included in the Corporate Group including the committee member only to the extent that it is necessary for the performance of its obligations under these Rules or preservation of its rights.

- 3 When JSCC appoints a committee member in accordance with Article 6 hereof, JSCC shall make the committee member submit a written pledge prescribed by JSCC to the effect that it shall comply with the obligations prescribed in the immediately preceding Paragraph.
- 4 When JSCC receives the notification of Representative of Committee Member pursuant to the immediately preceding Article, it shall make the Representative of Committee Member submit a written pledge prescribed by JSCC to the effect that it shall comply with the obligations prescribe in Paragraph 2 of this Article.

(Article 9 Conduct of Default Settlement Drill)

- 1 JSCC and the Committee jointly conduct a drill for restructuring of JSCC's position along with the termination of Clearing Contracts of Defaulting Clearing Participant where JSCC determines the Default, etc. of a Clearing Participant (including the measures to be taken to avoid JSCC's loss which may arise until the completion of such restructuring) and any other treatment along with the determination of the Default, etc. in an appropriate and smooth manner (hereinafter referred to as the "Default Settlement Drill").
- 2 All Clearing Participants other than Clearing Participants who are Specified Successor Financial Institutions shall join a Default Settlement Drill and follow the procedures prepared by JSCC and the Committee on each conduct of the Default Settlement Drill.

(Article 10 Delegation)

Matters necessary for administration of the Committee other than those prescribed in these Rules shall be prescribed by the Committee on a case-by-case basis.

Supplementary Provisions

- 1 These Rules shall be enforced from 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 appointment of committee members and notification of representative of committee member even before the Date of Enforcement pursuant to the applicable provisions of these Rules.
- 3 JSCC shall appoint the top three (3) Clearing Participants on the Clearing Participant List (if less than three (3) Clearing Participants are listed on the Clearing Participant List, all the Clearing Participants appearing on the list) promptly after the Date of Enforcement as committee members and establish the Committee.

Supplementary Provisions

These amended Rules shall be enforced from 23 July 2012.

Supplementary Provisions

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

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

Supplementary Provisions

These amended Rules shall be enforced from 15 December 2014.