

## CDS Default Management Committee Rules

**Original Document Title : CDS 破綻管理委員会規則**

Note : JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English - translation, the original Japanese document will prevail.

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## **CDS Default Management Committee Rules**

### Article 1. Purpose

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

### Article 2. Definitions

Unless otherwise set forth in these DMC Rules, the terms used in these DMC Rules shall have the meanings used in the Business Rules.

### Article 3. Establishment of CDS Default Management Committee

- 1 JSCC shall establish the CDS Default Management Committee ("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.

### Article 4. Matters for Consultation

- 1 The matters prescribed under Article 93.1 of the Business Rules shall be as follows:
  - (1) Matters concerning execution, trade format, trade conditions of and counterparties to Hedge Transactions;
  - (2) Matters concerning holding, conditions, date and time and administration of Default Auction; and
  - (3) Any other matters concerning settlement and other treatment of Defaulting Clearing Participant's Cleared Contracts in respect of which JSCC separately seeks advice.
- 2 JSCC shall take account of the Committee's or committee member's advice, if any, as to the matters listed in Paragraph 1.

### Article 5. (Deleted)

### Article 6. Appointment of Committee Member

- 1 JSCC shall designate all Clearing Participants as committee members.
- 2 If the CDS Clearing Qualification of a Clearing Participant is renounced or JSCC declares the Default of a committee member after its appointment pursuant to Paragraph 1, JSCC shall cancel the appointment of the relevant committee member simultaneously with such renunciation or declaration.

- 3 If JSCC deems that a committee member or a Representative of Committee Member (defined below) is unable to perform his, her or its duties as a committee member in light of its status of trading in CDS Transactions or other factors, or otherwise there is any unavoidable reason, JSCC may cancel the appointment of the committee member.

#### Article 7. Notification of Representative of Committee Member

- 1 A committee member shall designate at least one of the Officers or employees of itself or of other Legal Entity included in the same Corporate Group as that committee member who has expertise in trading practice of CDS Transactions as a representative or an agent actually performing duties of the committee member ("Representative of Committee Member"), and submit a written notification to JSCC of such designation in the form prescribed by JSCC immediately after the appointment of that committee member.
- 2 When a committee member changes its Representative of Committee Member, it shall submit a written notification to JSCC of a new Representative of Committee Member in the form prescribed by JSCC.

#### Article 8. Obligations of Committee Members

- 1 JSCC will, at each time it declares a Default of a Clearing Participant, randomly designate not more than three (3) committee members, who shall, individually or as a Committee, give advice to JSCC on the matters prescribed in Article 4.1 hereof; provided, that if a committee member submits a notification in a manner prescribed by JSCC to the effect that it is difficult to give advice due to an unavoidable reason, it shall be exempted from such designation.
- 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 it obtains JSCC's prior written consent;
  - (2) When the disclosure or provision thereof is required by an order or request from a court, competent authority or any other public institution or a financial instruments exchange or any other self-regulatory organization, or by laws or regulations; or
  - (3) When it is disclosed or provided to an attorney, certified public accountant, tax accountant or other professional, or any other Legal Entity in the same Corporate Group, to the extent necessary for its performance of its obligations under these Rules or for the protection of its rights.

- 3 Upon appointment of a committee member pursuant to the provisions of Article 6, JSCC shall have the committee member submit a written pledge prescribed by JSCC to the effect that he/she shall comply with the obligations set forth in Paragraph 1.
- 4 When JSCC receives the notification of a Representative of Committee Member pursuant to Article 7, JSCC shall make the Representative of Committee Member submit a written pledge prescribed by JSCC to the effect that he/she shall comply with the obligations set forth in Paragraph 2.

#### Article 9. Conduct of Default Settlement Drill

- 1 JSCC and the Committee shall jointly conduct a drill for re-establishment of JSCC's position which would become necessary upon the termination of Defaulting Clearing Participant's Cleared Contracts in the event of JSCC's declaration of the Default of a Clearing Participant (including the measures to be taken to avoid JSCC's loss which may arise until the completion of such re-establishment) and for an appropriate and smooth administration of other matters arising along with the declaration of the Default ("Default Settlement Drill").
- 2 All Clearing Participants other than Clearing Participants that are Specified Successor Financial Institutions shall participate in a Default Settlement Drill and follow the procedures drawn by JSCC and the Committee on each occasion.

#### Article 10. Delegation

In addition to the matters prescribed in these Rules, any matter that becomes necessary in connection with the administration of the Committee shall be set by the Committee at each occasion.

#### Supplementary Provisions

- 1 These Rules shall be enforced from July 19, 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 July 23, 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 December 15, 2014.