

CDS Management Committee Rules

(Article 1 Purpose)

The purpose of these CDS Management Committee Rules (hereinafter referred to as these “Rules”) is to set forth the authority, organisation, manner of appointment of a committee member, procedures for a meeting and other matters necessary for administration of the CDS Management Committee pursuant to the CDS 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 Management Committee)

JSCC shall establish the CDS Management Committee (hereinafter referred to as the “Committee”) as a permanent advisory committee of the board of directors of JSCC.

(Article 4 Matters for Consultation)

1 In the case where JSCC intends to make a decision about any of the following matters in addition to those listed in Paragraph 1 of Article 122 of the Business Rules, JSCC shall consult with the Committee and respect such opinion; provided that this shall not apply to a decision concerning a minor issue:

- (1) modification of the requirement for clearing qualification;
- (2) modification of the criteria of measures to be taken in respect of Clearing Participants;
- (3) designation and modification of the Eligible CDS Transaction (excluding any addition of On-the-run Issues in respect of the existing Eligible CDS Transactions);
- (4) designation in connection with change, amendment or supplement of the ISDA Master Agreement and the ISDA Credit Derivatives Definitions;
- (5) designation in connection with change, amendment or supplement of STS;
- (6) change in the handling of Margin;
- (7) change in the handling of CDS Clearing Fund;
- (8) amendment to the JSCC Determination Committee Rules;
- (9) change in the handling of measures to be taken in the event of Failure of Settlement of Clearing Participant;
- (10) change in the authority, organisation, term of office of a committee member, operational procedures of the Default Management Committee and other necessary matters in connection with the administration of the Default Management Committee;
- (11) Date and time and the details of Default Settlement Drill (meaning the drill to conduct restructuring of JSCC’s positions along with the termination of Clearing Contracts of Defaulting Clearing Participant in the case of determination of the Default, etc. of a Clearing Participant by JSCC (including the measures to avoid any losses which may be incurred by JSCC until such reconstruction is completed) and any other treatments along with the determination of the Default, etc. in an appropriate and efficient

- manner)
- (12) amendment to these Rules;
 - (13) judgment on whether to deem necessary from risk management point of view for the purpose of the provisions of Section 1, b. of Appendix 2 to the Handling Procedures of CDS Business Rules; or
 - (14) other matters that JSCC deems necessary from the perspective of risk management.
- 2 JSCC shall consult with the Committee on whether or not the risk management system is implemented in a proper manner regularly at least once a year in addition to those prescribed in the preceding Paragraph.
- 3 In the case where JSCC receives request from two (2) or more committee members (if JSCC deemed it especially necessary in light of the importance of risk management, one (1) or more committee member(s)) on the matter in respect of risk management, JSCC shall consult with the Committee on such matter.
- 4 In the case where JSCC does not consult with the Committee due to minor contents of the relevant decision pursuant to the proviso to Paragraph 1 of this Article, JSCC shall notify committee members of the details of such decision without delay after such decision.
- 5 JSCC shall, if it makes a decision different from the opinion of the Committee, notify the committee members of the details of such decision without delay after such decision.

(Article 5 Committee Members)

- 1 JSCC shall appoint all Clearing Participants as committee members of the Committee. Provided, however, if two (2) or more Clearing Participants are included in the same Corporate Group, JSCC shall appoint one Clearing Participant designated by such Clearing Participants as a committee member.
- 2 In the case of the determination of the Default, etc. of a committee member or violation of the Business Rules, etc. by a committee member or any other cases where JSCC deems such committee member inappropriate as a committee member, JSCC may cancel the appointment of the relevant committee member. In this case, JSCC shall reappoint the relevant committee member as a committee member when it acknowledges that the reason of the cancellation of the appointment ceases to exist.
- 3 The Committee shall have a chairperson who shall be appointed from among committee members by mutual vote.
- 4 The term of office of chairperson shall be one (1) year.
- 5 In cases where a chairperson is removed from a committee member pursuant to Paragraph 2 of this Article, JSCC shall appoint a new chairperson.

(Article 6 Notification, etc. of Representative of Committee Member)

- 1 A committee member shall notify with JSCC of at least one (1) 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 7 Obligations of Committee Members, etc.)

- 1 A committee member or a Representatives 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 or licensed tax accountants 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.

- 2 When JSCC appoints a committee member in accordance with Article 5 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.

- 3 When JSCC receives a notification of a 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 prescribed in Paragraph 1 of this Article.

(Article 8 Convocation of Meetings)

- 1 A meeting of the Committee shall be convened by the decision of the Director and President of JSCC provided, however, that it shall not preclude the convocation of a meeting by a resolution of the board of directors’ meeting of JSCC.

- 2 When JSCC intends to convene a meeting of the Committee, JSCC shall notify committee

members of the date, venue, items of agenda and other necessary matters in advance, provided, however, this shall not apply to the cases where JSCC deems that there is a particularly urgent need.

- 3 In the case a representative of committee members is unable to attend a committee meeting due to unavoidable reasons, such representative may have a person belonging to the same Clearing Participant or other entity, etc. included the Corporate Group including such Clearing Participant may attend the committee meeting as a proxy.
- 4 Where JSCC deems it necessary, a meeting may be held via telephone or other means, or a committee member may attend a meeting via telephone or other means.
- 5 In addition to the preceding Paragraph, a resolution may be adopted in writing in lieu of holding a meeting where JSCC deems it necessary to hold a committee meeting promptly.
- 6 JSCC shall hold a committee meeting at least quarterly in principle (including the resolutions made in writing pursuant to the preceding Paragraph).

(Article 9 Method of Resolution)

- 1 A committee meeting may not start proceedings unless at least half of the committee members (excluding committee members who are not able to attend the meeting pursuant to the provisions of Paragraph 3 of this Article; the same applies in the following Paragraph) are in attendance.
- 2 In the proceedings of the Committee, the majority of vote of attending members is required to pass a resolution..
- 3 A committee member may not participate in deliberations on the matter in which such committee member has special interests.

(Article 10 Report to Board of Directors of JSCC)

The chairperson shall report to the board of directors of JSCC the resolutions and any other details of the deliberation in the Committee on the matters for consultation.

(Article 11 Organiser)

- 1 The organiser of the Committee shall be JSCC and an executive officer of JSCC shall act as such organiser.
- 2 The organiser shall be engaged in the support of committee members, administrative communication, the assistance of operation of meetings, the preservation of records and other operational works of the Committee.

(Article 12 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.

Supplementary Provisions

These revised Rules shall be enforced from 22 September 2014.

Supplementary Provisions

These revised Rules shall be enforced from 3 July 2017.

Supplementary Provision

These revised Rules shall be enforced from 1 April 2019.