

Guideline on Standard for Clearing Qualification Acquisition in Credit Default Swap and Interest Rate Swap Clearing

July 4, 2012

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Japan Securities Clearing Corporation

I. Purpose of the Guideline

- The guideline intends to contribute to judgment by market participants of their satisfaction of the standard for Clearing Qualification acquisition through clarification and publication of perspectives and matters to be confirmed for the purpose of examination pertaining to the acquisition of qualification necessary to be a Clearing Participant (hereinafter referred to as “Clearing Qualification”), in accordance with the provisions of Article 9 of the CDS Clearing Business Rules and Article 9 of the Interest Rate Swap Clearing Business Rules, regarding clearing business for Credit Default Swap Transactions started in July 2011 (hereinafter referred to as “CDS Clearing Business”) and clearing business for Interest Rate Swap Transactions (hereinafter referred to as “IRS Clearing Business”) started in October 2012.

II. Content of the Guideline

- The standard for Clearing Qualification acquisition is consisted of 3 items of “Management Structure,” “Financial Basis,” and “Business Execution Structure.” Major perspectives for the purpose of perspectives and confirmations and understandings are described below as the Guideline in accordance with stipulations in the Business Rules for each relevant item, regarding CDS Clearing Business and IRS Clearing Business ^(Note).

(Note) Stipulations in the Business Rules, etc. as well as this Guideline are subject to change with future systemic revision, etc. for both CDS Clearing Business and IRS Clearing Business.

1. CDS Clearing Business

Standards for Clearing Qualification Acquisition	Stipulations in the CDS Clearing Business Rules	Perspectives and Matters to be Confirmed for the Purpose of Examination (Guideline)
(1) Management Structure	The Applicant has a sound management structure (e.g., it is not controlled or influenced by one who is deemed inappropriate from the perspective of JSCC’s operation of CDS Clearing Business) such that the social credibility of CDS Clearing Business carried out by JSCC can be expected to be sufficiently protected. (pursuant to Article 9-1-1)	This item confirms that one who is subject to judgment of whether or not the one satisfies the standard of Clearing Qualification acquisition (hereinafter referred to as “Subject Participant”) has a sound management structure primarily by examining that a Director or Major Shareholder of the Subject Participant is not falling under grounds for disqualification under laws and regulations (*1) and the Subject Participant is not affected by so-called antisocial forces (*2). (*1) Referring to the stipulations set forth in Article 29-4,

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		Paragraph 1, Item 2, a.-i, and Article 29-4, Paragraph 1, Item 5, d.-f. of the Financial Instruments and Exchange Act, for the Director and Major Shareholder respectively. (*2) Referring to one falling under Article 15 of Japan Securities Dealers Association's "Rules of Enforcement of the Article of Incorporation."
(2) Financial Basis		This item confirms that Subject Participant has a sufficient financial basis to fulfill obligations pertaining to performance of settlement or collateral deposit, etc. that a Clearing Participant is required to perform.
	In the case where the Subject Participant is not guaranteed by its Parent Company, etc.: In accordance with the classifications of Applicant set forth in a. or b. below, the Applicant is expected to satisfy the requirements prescribed in a. or b. below and to have stable profitability as a Clearing Participant as of the Qualification Target Date:	The expression "expected to have stable profitability as a Clearing Participant" confirms that Subject Participant has a prospect for reporting stable profits in future in light of the

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	a. Financial Instruments Business Operator: (a) Its Net Capital Amount is not less than 100 billion yen; (b) Its Capital-to-Risk Ratio is more than 200% (or 250% in the case where JSCC deems it necessary in light of its credit standing); (c) In respect of a Special Financial Instrument Business Operator (limited to the one filing the notification prescribed in Paragraph 2 of Article 57-5 of the Financial Instruments and Exchange Act; the same shall apply hereinafter), Consolidated Capital-to-Risk Ratio is more than 200% (or 250% in the case where JSCC deems it necessary in light of its credit standing); and (d) It has sufficient creditworthiness.	Subject Participant's most recent status of the assets and profits and projection of future profits and losses (the same shall apply hereinafter). • The standard judged by figures such as the standard related to Net Capital Amount confirms that Subject Participant attains the relevant figure (the same shall apply hereinafter). • Conformity with the requirements will be examined in reference to the "Guidelines Concerning Credit Standing of Clearing Participants, etc. in CDS Clearing Business" (hereinafter referred to as "Guideline on CDS Credit Standing") publicly notified by JSCC to determine whether or not to fall under "in the case where JSCC deems it necessary in light of its credit standing" (the same shall apply hereinafter). • Conformity with the requirements will be examined in reference to the "Guideline on CDS Credit Standing" to

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	b. Registered Financial Institution: (a) Its Net Capital Amount is not less than 100 billion yen; (b) In respect of a Registered Financial Institution subject to Uniform International Standards, an applicant satisfies the conditions specified in (i) to (iii) below (in the case of a foreign bank, it shall satisfy the conditions equivalent to the foregoing): (i) its non-consolidated or consolidated Common Equity Tier 1 ratio (or non-consolidated or consolidated common investment Tier 1 ratio for an institution which operates with investments from its members, the same shall apply hereinafter) is more than 4.5% (or 5.625% in the case where JSCC deems it necessary in light of its credit standing); (ii) its non-consolidated or consolidated Tier 1 ratio is more than 6% (or 7.5% in the case where JSCC	determine whether or not to fall under “It has sufficient creditworthiness.” (the same shall apply hereinafter).

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	deems it necessary in light of its credit standing); (iii) its non-consolidated or consolidated Total Capital ratio is more than 8% (or 10% in the case where JSCC deems it necessary in light of its credit standing); (c) In respect of a Registered Financial Institution other than those subject to Uniform International Standards, foreign banks and insurance companies (hereinafter referred to as “Financial Institution subject to Japanese Standard), its non-consolidated or consolidated capital adequacy ratio is more than 4% (or 5% in the case where JSCC deems it necessary in light of its credit standing) under the Standard in Japan; (d) In respect of an insurance company, its non-consolidated or consolidated solvency margin ratio is more than 400% (or 500% in the case where JSCC deems it necessary in light of its credit standing); and (e) It has sufficient creditworthiness.	

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	(pursuant to Article 9-1-2) In the case where the Subject Participant is guaranteed by its Parent Company, etc.: In respect of an Applicant under Guarantee, the Examination shall be conducted in accordance with the classifications of Applicant under Guarantee set forth in the following Items, to review if the Applicant under Guarantee is expected to satisfy the requirements prescribed in each Item below instead of the matters set forth in Item 2 of the preceding Paragraph, and to have stable profitability as a Clearing Participant as of the Qualification Target Date: (1) Financial Instruments Business Operator a. Its Net Capital Amount is not less than 50 billion yen and the Net Capital Amount (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution, the amount equivalent thereto) of its Parent Company, etc. (limited to the Parent Company, etc. of such	

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	Applicant under Guarantee which provides Guarantee by Parent Company, etc. to such Applicant under Guarantee; the same shall apply in this Paragraph) is not less than 100 billion yen (or, in the case where a Parent Company, etc. provides Guarantee by Parent Company, etc. to more than one Clearing Participant, the amount obtained by multiplying 100 billion yen by the number of the Clearing Participants guaranteed by the Parent Company, etc. (or, in the case where a Parent Company, etc. itself is a Clearing Participant, add one (1) to the number of the guaranteed Clearing Participants; the same shall apply in the following Item)); b. The Applicant under Guarantee satisfies the requirements in Item (2) a. (b) and (c) of the preceding Paragraph, or its Parent Company, etc. satisfies any of the requirements in Item (2) a. (b) and (c) or b. (b) to (d) of the preceding Paragraph (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operators or a Registered Financial Institution,	

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	it satisfies the requirements equivalent thereto). In this case, the credit standing shall be judged by the credit standing of the Parent Company, etc.; and c. The Parent Company, etc. has sufficient creditworthiness. (2) Registered Financial Institution a. Its Net Capital Amount is not less than 50 billion yen and the Net Capital Amount of its Parent Company, etc. (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution, the amount equivalent thereto) is not less than 100 billion yen; b. The Applicant under Guarantee satisfies the requirement in Item (2) b. (b) of the preceding Paragraph, or its Parent Company, etc. satisfies any of the requirements in Item (2) a. (b) and (c) or b. (b) to (d) of the preceding Paragraph (or, in the case where the Parent Company, etc. is not a Financial Instruments Business Operator or a Registered Financial Institution,	

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	it satisfies any equivalent requirements). In this case, its credit standing shall be judged by the credit standing of the Parent Company, etc.; and c. The Parent Company, etc. has sufficient creditworthiness. (pursuant to Article 9-2)	
(3) Business Execution Structure		This item confirms that Subject Participant has a sufficient business execution structure to conduct the settlement procedure as a Clearing Participant.
	a. The Applicant has an appropriate structure of business execution for the settlement of Clearing Contracts, management of the risk of loss and compliance with laws and regulations, dispositions of the administrative agencies in accordance with the laws and regulations, and these Business Rules, etc.; and	[Settlement] Confirms whether or not Subject Participant has a management structure in place for each of the following operations that a Clearing Participant is required to perform in accordance with the method of operating procedures established by JSCC. In particular, 2). refers not only to a structure for operations but also to a structure for submission of interest-rate quotes in line with the actual realities of the

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		market. For each of those operating procedures, an environment for the connection of IT systems with JSCC (arrownet lines, Web Portal and Web Portal+) also needs to be developed. 1). Application for Assumption of Obligation A series of procedures from application for Assumption of Obligation through TIW to completion of clearing (*3) (*3) An environment for the connection to OSTTRA Connect for Credit and TIW needs to be developed. 2). Submission of Quotes for Calculation of Clearing Price A procedure for submitting quotes using a service provided by a person designated by JSCC in a public notice by an hour between 15:15 and 16:00 on every business day, with stocks of CDS trades with positions (*4) (*5) (*4) It is necessary to develop a structure that will allow day-to-day calculation of quotes reflecting the actual realities of the market for stocks of CDS trades that are subject to quotes submission and submission of

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		such quotes by the submission deadline. In more detail, the Subject Participant needs to have such a structure in place to secure appropriate personnel with needed skills and experiences in professional practice so that procedures for actively and swiftly calculating quotes needs to be handled presupposing assumption of positions by the Participant. This will include collecting and analyzing pertinent information also taking into consideration the circumstances of the Participant's positions, etc. based on the prospect for market prices or supply and demand, just as a market participant offers quotes and repeatedly trades in the interbank market. (*5) An environment for the connection to services provided by the person designated by JSCC in a public notice needs to be developed. 3). Fund Settlement A procedure for account transfer over the BOJ Net pertaining to the transfer and receipt of Variation Margin

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		or any fixed amount of money using a saving or current deposit at the Bank of Japan (*6) (*6) The Subject Participant needs to have a BOJ account. 4). Collateral Deposit and Refund Account transfer procedure pertaining to the confirmation, deposit, and refund of the Required Amount for Initial Margin and CDS Clearing Fund (Deposit and refund/return of cash and Japanese Government Bonds will be made through an account transfer on the BOJ Net, and deposit and return of US Treasuries will be made through an account transfer on FED-WIRE) (*7) (*7) A BOJ current account is necessary for deposit and refund of collateral by cash (Account(s) for collateral other than cash is optional). 5). Credit Event A series of procedures pertaining to cash settlement or Physical Settlement upon occurrence of either of bankruptcy, Failure to Pay, and restructuring (*3)

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		[Risk Management] - Whether a management structure is in place to address market risk, liquidity risk, credit risk, operational risk, system risk, etc. will be examined by the examination of internal rules. [Compliance] - Whether compliance monitoring and reporting structures are in place will be examined.
	b. The outstanding amount of CDS Transactions (meaning the total amount of the Notional Amounts of the outstanding CDS Transactions; the same shall apply in this Item) of the Applicant or the Corporate Group including the Applicant is not less than 500 billion yen (or, in the case where the outstanding amount of CDS Transactions is calculated for the Corporate Group including the Applicant, 500 billion yen multiplied by the number of Clearing Participants belonging to the Corporate Group), and the Applicant otherwise maintains a structure of execution of business which	- In the event of Clearing Participant's default, the Defaulting Clearing Participant's positions will be disposed of through an Auction. This item confirms that the Subject Participant has the following structures in place, as Clearing Participants are required to provide a Representative of the Default Management Committee Member who is to provide advice throughout the process of default settlement conducted by JSCC including hedging and Auction and participate in the Auction to assume the positions: - Provision of Personnel to the Default Management Committee

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	enables it to participate in the procedures for the settlement of Clearing Contracts entered into by a Clearing Participant in respect of whom default has occurred. (pursuant to Article 9-1-3)	In case any Clearing Participant defaulted, a human resources structure that will allow the Subject Participant to provide a person reported in advance to JSCC as someone familiar with the professional CDS practice as a Representative of the Default Management Committee Member (*8) (*9) (*8) The Committee Member Representative is required to analyze the Defaulting Clearing Participant's positions and provide necessary advice to JSCC on execution of a hedge trade and Auction, etc. necessary to neutralize risks. (*9) Until the default settlement is over, Committee Member Representative is to be devoted to the role as a Committee Member Representative. The personnel familiar with the professional CDS practice needs to be secured for the purpose of providing as a Committee Member Representative in the event of a default, apart from management related to the operation of the Subject Participant's business.

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		2). Bidding in the Auction for Disposal of Positions - A structure to bid by a fixed deadline at the Auction for disposal of the Defaulting Clearing Participant's positions (*10) - A structure to assume positions and dispose of the positions - A structure to prevent Clearing Participants to be constantly exempted from participation in Auction (building a Chinese wall for prevention of insider trading, etc.) (*10) A structure that will allow pricing of the Defaulting Clearing Participant's positions reflecting the actual realities of the market and submitting a bidding price by the bidding deadline is necessary. In more detail, the Subject Participant needs to have such a structure in place to secure appropriate personnel with needed skills and experiences in professional practice, as such personnel is required to actively and swiftly calculate the bidding price by such means as collecting and

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		analyzing pertinent information also taking into consideration the circumstances of the Participant's positions, etc. based on the prospect for market prices or supply and demand.

2. IRS Clearing Business

Standards for Clearing Qualification Acquisition	Stipulations in the Interest Rate Swap Clearing Business Rules	Perspectives and Matters to be Confirmed for the Purpose of Examination (Guideline)
(1) Management Structure	Applicant must have a sound management structure, including not being controlled or influenced by a person deemed inappropriate by JSCC from the viewpoint of the continued operation and good reputation of the IRS Clearing Business. (pursuant to Article 9-1-1)	This item confirms that one who is subject to judgment of whether or not the one satisfies the standard of Clearing Qualification acquisition (hereinafter referred to as "Subject Participant") has a sound management structure primarily by examining that a Director or Major Shareholder of the Subject Participant is not falling under grounds for disqualification under laws and regulations (*11) and the

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		Subject Participant is not affected by so-called antisocial forces (*12). (*11) Referring to the stipulations set forth in Article 29-4, Paragraph 1, Item 2, a.-i, and Article 29-4, Paragraph 1, Item 5, d.-f. of the Financial Instruments and Exchange Act, for the Director and Major Shareholder respectively. (*12) Referring to one falling under Article 15 of Japan Securities Dealers Association's "Rules of Enforcement of the Article of Incorporation."
(2) Financial Basis	In the case where the Subject Participant is not guaranteed by its Parent Company, etc.: Depending upon the category into which Applicant falls, Applicant shall satisfy the requirements prescribed in a. or b. below and	This item confirms that Subject Participant has a sufficient financial basis to fulfill obligations pertaining to performance of settlement or collateral deposit, etc. that a Clearing Participant is required to perform.

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	demonstrate adequate continuing financial stability from the Qualification Date: a. Financial Instruments Business Operator: (a) Applicant's Net Capital is not less than the lower of 50 million US dollars and 5 billion yen; (b) Applicant's Capital-to-Risk Ratio is more than 200% or 250% if JSCC deems it necessary in light of its creditworthiness; (c) If Applicant is a Special Financial Instrument Business Operator that has filed the notification prescribed in Article 57-5.2 of the Financial Instruments and Exchange Act ("Special Operator"), Applicant's Consolidated Capital-to-Risk Ratio is more than 200% or 250% if JSCC	• The expression "demonstrate adequate continuing financial stability" confirms that Subject Participant has a prospect for reporting stable profits in future in light of the Subject Participant's most recent status of the assets and profits and projection of future profits and losses (the same shall apply hereinafter). • The standard judged by figures such as the standard related to Net Capital Amount confirms that Subject Participant attains the relevant figure (the same shall apply hereinafter). • Conformity with the requirements will be examined in reference to the "Guidelines Concerning Credit Standing of Clearing Participants, etc. in IRS Clearing Business" (hereinafter referred to as "Guideline on IRS Credit Standing") to be publicly notified by JSCC to determine whether or not to fall under "if JSCC deems it necessary in light of its creditworthiness" (the same shall apply hereinafter).

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	deems it necessary in light of Applicant's creditworthiness; and (d) Applicant is sufficiently creditworthy. b. Registered Financial Institution: (a) Applicant's Net Capital is not less than the lower of 50 million US dollars and 5 billion yen; (b) If Applicant is a Registered Financial Institution subject to Uniform International Standards, it must fulfil the conditions specified in (i) to (iii) below or, in the case of a foreign bank, equivalent conditions under the applicable laws and regulations in its country of incorporation: (i) Applicant's non-consolidated or consolidated Common Equity Tier 1 ratio (or non-consolidated or consolidated common investment Tier 1 ratio for an institution which operates with investments from its members) is more than 4.5% (or 5.625% if JSCC	Conformity with the requirements will be examined in reference to the "Guideline on IRS Credit Standing" to determine whether or not to fall under "Applicant is sufficiently creditworthy." (the same shall apply hereinafter).

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	deems it necessary in light of its creditworthiness); (ii) Applicant's non-consolidated or consolidated Tier 1 ratio is more than 6% (or 7.5% if JSCC deems it necessary in light of its creditworthiness); (iii) Applicant's non-consolidated or consolidated Total Capital ratio is more than 8% (or 10% if JSCC deems it necessary in light of its creditworthiness); (c) If Applicant is a Registered Financial Institution other than those subject to Uniform International Standards, foreign banks and insurance companies ("Financial Institution subject to Japanese Standard"), its non-consolidated or consolidated capital adequacy ratio is more than 4% (or 5% if JSCC deems it necessary in light of its creditworthiness) under the Japanese Standard; (d) If Applicant is an insurance company which is a Registered Financial Institution, its non-consolidated or consolidated Solvency Margin Ratio is more than 400% (or 500% if JSCC deems it necessary in light of its creditworthiness); and	

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	(e) Applicant is sufficiently creditworthy. (pursuant to Article 9-1-2)	
	In the case where the Subject Participant is guaranteed by its Parent Company, etc.: For a Guaranteed Applicant, an examination shall be conducted, depending upon the category into which the Guaranteed Applicant falls, in lieu of Paragraph 1.(2), to determine whether the Guaranteed Applicant satisfies the requirements prescribed in the below Items and demonstrates adequate financial stability from the Qualification Date: (1) Financial Instruments Business Operator a. The Net Capital of the Guaranteed Applicant is not less than the lower of 50 million US dollars and 5 billion yen, and the Net Capital of its Parent Company providing Guaranteed Applicant's Parental Guarantee, or its equivalent if the Parent Company providing	

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	Parental Guarantee is neither a Financial Instruments Business Operator nor a Registered Financial Institution, is not less than the lower of 50 million US dollars and 5 billion yen; If the Parent Company providing the Guaranteed Applicant's Parental Guarantee also provides Parental Guarantee to one or more other Clearing Participants, the Parent Company's Net Capital must not be less than the amount obtained by multiplying the lower of 50 million US dollars and 5 billion yen by the number of the Clearing Participants guaranteed by that Parent Company or, if the Parent Company itself is a Clearing Participant, the number of the guaranteed Clearing Participants plus one; b. The Guaranteed Applicant satisfies the requirements of Paragraph 1.(2). a.(b) and (c) or, Its Parent Company satisfies the requirements of Paragraph 1.(2).a.(b) and (c) or Paragraph 1.(2).b.(b) to (d), or equivalent requirements, if the Parent Company	

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	providing Parental Guarantee is neither a Financial Instruments Business Operators nor a Registered Financial Institution. For this purpose, the satisfaction of the requirements related to creditworthiness shall be judged by reference to the creditworthiness of the Parent Company; and c. The Parent Company is sufficiently creditworthy. (2) Registered Financial Institution a. Applicant's Net Capital is not less than the lower of 50 million US dollars and 5 billion yen and the Net Capital of its Parent Company providing Parental Guarantee, or its equivalent if the Parent Company providing Parental Guarantee is neither a Financial Instruments Business Operator nor a Registered Financial Institution, is not less than the lower of 50 million US dollars and 5 billion yen; If a Parent Company provides Parental Guarantee to one or more other Clearing Participants, the Parent	

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	Company's Net Capital must not be less than the amount obtained by multiplying the lower of 50 million US dollars and 5 billion yen by the number of the Clearing Participants guaranteed by that Parent Company or, if the Parent Company itself is a Clearing Participant, the number of the guaranteed Clearing Participants plus one; b. Guaranteed Applicant satisfies the requirements of Paragraph 1.(2).b.(b), or, Its Parent Company providing Parental Guarantee satisfies the requirements of Paragraph 1.(2).a.(b) and (c) or Paragraph 1.(2).b.(b) to (d) of, or equivalent requirements if the Parent Company providing Parental Guarantee is neither a Financial Instruments Business Operator nor a Registered Financial Institution. For this purpose, the satisfaction of the requirements related to creditworthiness shall be judged by reference to the creditworthiness of the Parent Company; and c. The Parent Company must be sufficiently creditworthy.	

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	(pursuant to Article 9-2)	
(3) Business Capability		This item confirms that the Subject Participant has a sufficient business execution structure in conducting settlement procedures, etc. as a Clearing Participant.
	a. Applicant has capability to settle Cleared Contracts, manage risk, comply with laws and regulations, sanctions imposed by administrative agencies in accordance with laws and regulations, and the Rules; and	[Settlement] Confirms whether or not Subject Participant has a management structure in place for each of the following operations that a Clearing Participant is required to perform in accordance with the method of operating procedures established by JSCC. For each of those operating procedures, an environment for the connection of IT systems with JSCC (arrownet lines, Web Portal and Web Portal+) also needs to be developed. 1). Application for Clearing A series of procedures from application for clearing through an affirmation method or an electronic trading

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		platform prescribed by JSCC in a public notice to completion of clearing (*13) (*13) An environment for the connection to an affirmation method or an electronic trading platform prescribed by JSCC in a public notice needs to be developed. 2). Fund Settlement A procedure for account transfer over the BOJ Net pertaining to the transfer and receipt of Variation Margin or any fixed amount of money using a saving or current deposit at the Bank of Japan (*14) When a Clearing Participant desires to apply for clearing of foreign currency denominated IRS, in addition to fund settlement using BOJ current account, a procedure for account transfer at one of the foreign currency fund settlement banks designated by JSCC. (*14) The Subject Participant needs to have a saving or current deposit at BOJ. 3). Collateral Deposit and Refund Account transfer procedure pertaining to the confirmation,

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	b. Applicant maintains a business capability which enables it to participate in the procedures	deposit, and refund of the Required Amount for Initial Margin and IRS Clearing Fund (Deposit and refund/return of cash and Japanese Government Bonds will be made through an account transfer on the BOJ Net, and deposit and return of US Treasuries will be made through an account transfer on FED-WIRE) (*15) (*15) An account is need for deposit and refund of collateral by cash (Account(s) for collateral other than cash is optional is optional). [Risk Management] - Whether a management structure is in place to address market risk, liquidity risk, credit risk, operational risk, system risk, etc. will be examined by the examination of internal rules. [Compliance] - Whether compliance monitoring and reporting structures are in place will be examined. - In the event of Clearing Participant's default, the Defaulting Clearing Participant's positions will be first hedged and then

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	for the liquidation of a defaulting Clearing Participant's Cleared Contracts. Applicant shall be deemed to fulfil this requirement if another person meeting the qualifications prescribed by JSCC²³ shall act on its behalf in the liquidation of such Cleared Contracts as prescribed by JSCC. (pursuant to Article 9-1-3)	disposed of through an Auction. This item confirms that the Subject Participant has the following structures in place, as Clearing Participants are required to provide a Representative of the Default Management Committee Member who is to provide advice throughout the process of default settlement conducted by JSCC including hedging and Auction and participate in the Auction to assume the positions: 1). Provision of Personnel to the Default Management In case any Clearing Participant defaulted, a human resources structure that will allow the Subject Participant to provide a person reported in advance to JSCC as someone familiar with the professional IRS practice as a Representative of the Default Management Committee Member (*16) (*17) (*16) The Committee Member Representative is required to analyze the Defaulting Clearing Participant's positions and provide necessary advice to JSCC on execution of a hedge trade and Auction, etc. necessary

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		to neutralize risks. (*17) Until the default settlement is over, Committee Member Representative is to be devoted to the role as a Committee Member Representative. The personnel familiar with the professional IRS practice needs to be secured for the purpose of providing as a Committee Member Representative in the event of a default, apart from management related to the operation of the Subject Participant's business. If a Clearing Participant holds foreign currency denominated IRS positions, it is required to provide the Committee Member Representative familiar with the trading practices of foreign currency denominated IRS. 2). Bidding in the Auction for Disposal of Positions - A structure to bid by a fixed deadline at the Auction for disposal of the Defaulting Clearing Participant's positions (*18) - A structure to assume positions and dispose of the positions

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		(*18) A structure that will allow pricing of the Defaulting Clearing Participant's positions reflecting the actual realities of the market and submitting a bidding price by the bidding deadline is necessary. In more detail, the Subject Participant needs to have such a structure in place to secure appropriate personnel with needed skills and experiences in professional practice, as such personnel is required to actively and swiftly calculate the bidding price by such means as collecting and analyzing pertinent information also taking into consideration the circumstances of the Participant's positions, etc. based on the prospect for market prices or supply and demand. - The requirements in this section can be met by having another Clearing Participant act on its behalf in the auction bidding and acceptance of positions when it wins the bid. In this case, the agreement concerning the outsourcing shall provide for matters concerning the participation by the outsourcee in the default settlement

Standards for Clearing Qualification Acquisition	Stipulations in the Interest Rate Swap Clearing Business Rules	Perspectives and Matters to be Confirmed for the Purpose of Examination (Guideline)
		drill, the method for avoiding conflict of interests, the confidentiality regarding the default settlement procedures in respect of a Defaulting Clearing Participant, and the outsourcee's agreement to comply with the provisions of the IRS Clearing Business Rules and their subordinate rules relating to such procedures, and any other matters specified by JSCC on a case-by-case basis in connection with such procedures. Also, a Clearing Participant which has already become such outsourcee for a Clearing Participant cannot accept outsourcing from any other Clearing Participant.

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