

## Partial Amendment to "Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules" and Other Rules

○Partial Amendment to "Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules" Associated with Clarification of Inclusion of Repo Transactions Based on GMRA Agreement as Eligible for Clearing

### I. Purpose of Amendment

Aiming to clarify the inclusion of GMRA-based transactions, globally traded form of repo transactions as eligible for clearing, necessary amendments are made to "Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules" as attached hereto.

### II. Outline of Amendment

- Clarifies that the Standard Repo Transactions include transactions based on the GMRA Agreement.

(Remark)

- Article 2, Paragraph 1, Item (103) and Item (106-2) of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules

### III. Effective Date

These amendments shall come into effect on June 8, 2026. However, due to an unavoidable reason, such as trouble in JSCC's system operation, when JSCC deems that it is not appropriate to apply these revised Rules, then these revised Rules shall come into effect on the date on or after June 8, 2026. designated by JSCC.

○Partial Amendment to "Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules" and Other Rules Associated with Introduction of Customer Position Transfer Scheme in JGB OTC Transaction Clearing Service

I. Purpose of Amendment

Necessary amendments are made to "Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules" and the other rules, aiming to introduce the transfer of the unsettled position of an Agency Clearing Participant related to a customer (hereinafter referred to as the "Customer Position") as attached hereto.

II. Outline of Amendment

1. Introduction of the Customer Position Transfer Scheme

(1) Outlines of the Scheme

- A customer who commissions a Brokerage for Clearing of Securities, Etc. to an Agency Clearing Participant may transfer its Customer Position under an Agency Clearing Participant from which the position is transferred (hereinafter referred to as the "Transferring Clearing Participant") to another Agency Clearing Participant to which the position is transferred (hereinafter referred to as the "Receiving Clearing Participant") by each Netting Account. The said transfer may be conducted both when Default Determination of an Agency Clearing Participant has occurred and when the said Default Determination has not occurred (business-as-usual) .
- A customer shall, when it intends to utilize the Customer Position Transfer scheme, notify JSCC of the Netting Account which can be designated as the Receiving Account in advance through the JGB OTC Transaction Agency Clearing Participant.

(2) Application and Completion of Transfer upon Occurrence of Default

- When a Default Determination is issued in respect of an Agency Clearing Participant, when a customer who commissions a Brokerage of Clearing to the said Agency Clearing Participant intends to transfer its position to another Agency Clearing Participant, it shall submit an application of transfer to JSCC, by noon on the Default Determination Date

(Remark)

- Article 39-3, Paragraph 1 and Paragraph 2 and Article 81, Paragraph 1 and Paragraph 2 of Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the "Rules")
- Article 39-3, Paragraph 3 and Article 81, Paragraph 3 of the Rules
- Article 81, Paragraph 4 and Paragraph 5 of the Rules

through a Receiving Clearing Participant, with a prior approval of the transfer by a Receiving Clearing Participant.

- JSCC shall, when it acknowledges the details of the application and other items prescribed by JSCC as appropriate, shall approve the relevant application by 2:00 p.m. on the Default Determination Date.
- When an application of transfer is approved by JSCC, the transfer of the relevant Customer Position shall be conducted to a Receiving Clearing Participant at the timing after 5:00 p.m. specified by JSCC on the Default Determination Date and the relevant Transfer shall be deemed completed at such timing.
- Even when a cause of Closeout Netting occurs in respect of a Defaulting Clearing Participant, if an application of the transfer related to the relevant Defaulting Clearing Participant is made, until completion or failure of the Transfer is confirmed, closeout netting in respect of the relevant Defaulting Clearing Participant shall not be applied.

- Article 81-2, Paragraph 1 of the Rules
- Article 81-2, Paragraph 2 of the Rules
- Article 79, Paragraph 8 of the Rules

(3) Application and completion of the Transfer at Business-as-Usual

- A customer who commissions Brokerage for Clearing of Securities, Etc. to an Agency Clearing Participant shall, when it intends to transfer its position to another Agency Clearing Participant, obtain an prior approval of the Transfer from a Receiving Clearing Participant and notify a Transferring Clearing Participant of the said Transfer.
- A Receiving Clearing Participant shall, when it approves an application for transfer from the said customer, submit a request for transfer to JSCC by noon on the desired transfer date.
- JSCC shall, when it receives an application of Transfer and other items prescribed by JSCC as appropriate, approve the relevant Application by 2:00 p.m. on the relevant day on the desired transfer date.
- When JSCC makes an approval as stipulated in the preceding Paragraph, the Transfer shall be made to a Receiving Clearing Participant at the timing after 5:00 specified by JSCC on the desired transfer effective date and the relevant Transfer shall be deemed completed at such timing.

- Article 39-3, Paragraph 4 and Paragraph 6 of the Rules
- Article 39-3, Paragraph 5 of the Rules
- Article 39-4, Paragraph 1 of the Rules
- Article 39-4, Paragraph 2 of the Rules

(4) Required amount and deposited amount and the like for the Customer Position at Transfer completion

- The Required Initial Margin Amount and the Required Clearing Fund related to the transferred Customer Position shall be the latest calculated amount in the Transferring Account from the timing on which the Transfer has completed.
- In respect of Clearing Deposit related to the Transferred Customer Position, setting the Transferring Clearing Participant as the agent shall be deemed as deposited with JSCC, setting the Receiving Clearing Participant as the agent.

(5) Handling of Clearing Fees

- Handling of various Clearing Fees related to the Customer Position Transfer scheme shall be prescribed by JSCC, according to the classification of the Transferring Account and the Receiving Account.

2. Clarification of Default Determination events

- Clarifies that the definition of "Default, Etc." events include the cases where a Clearing Participant is likely to become unable to pay.

3. Other matters

- Revision of other necessary amendments.

- Article 2, Paragraph 4 of Rules on Required Initial Margin Amount related to JGB OTC Transaction
- Article 2, Paragraph 4 of Rules on Required JGB OTC Transaction Clearing Fund Amount
- Article 39-4, Paragraph 3 and Article 81-2, Paragraph 3 of the Rules

- Article 3, Paragraph 3, Article 3-2, Paragraph 3, Article 6, Paragraph 5, Article 7, Paragraph 3, Article 7-2, Paragraph 1, Article 8, Paragraph 2, Appendix 1, Note 5 and Appendix 2, Note 4 of the Rules on Fees for JGB OTC Transaction Clearing Business

- Article 2, Paragraph 1, Item (90) of the Rules

### III. Effective Date

These amendments shall come into effect on June 8, 2026. However, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026. designated by JSCC.

Partial Amendment to "Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules" and Other Rules Associated with Agency Clearing Scheme and Other Measures to Realize Use of Clearing by Non-resident Transactions in JGB OTC Transaction Clearing Service

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## Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules

## Chapter 1 General Provisions

## (Article 1 Purpose)

1. These Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as these “Business Rules”) set forth, the matters necessary for the Financial Instruments Obligation Assumption Service and other incidental businesses conducted by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”), Transactions Subject to Clearing of which is Japanese Government Bond Over-the-Counter Transactions (hereinafter referred to as “JGB OTC Transaction Clearing Business”).
2. These Business Rules, Etc. shall apply only to the JGB OTC Transaction Clearing Business conducted by JSCC, and shall not apply to the Financial Instruments Obligation Assumption Service and the like conducted in relation to any transaction subject to clearing other than the Japanese Government Bond Transactions conducted by JSCC.

## (Article 2 Definitions)

The terms used in the Business Rules, Etc. shall have definitions from the Financial Instruments and Exchange Act (Act No. 25 of 1948), and the following Items shall be defined as follows:

- (1) “Transfer” means a process to have the claims and obligations relating to the Customer Position between the Transferring Clearing Participant and JSCC cease to have future effect, and simultaneously to have a legal relationship with the same terms and conditions as the said claims and obligations come into effect between the Receiving Clearing Participant and JSCC, pursuant to the provisions in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules and payment and receipt of the Money and the processing of rights and obligations associated therewith.
- (1)-2 “Receiving Clearing Participant” means a Clearing Participant who assumes claims against and obligations to JSCC, arising from the Transfer in respect of the relevant customer.
- (1)-3 “Receiving Account” means a Netting Account designated as the account to

which a position is transferred when the Transfer is conducted.

(1)-4 “Transferring Clearing Participant” means a Clearing Participant that is a party to claims and obligations in respect of the relevant customer subject to the Transfer.

(1)-5 “Transferring Account” means a Netting Account designated as the account from which a position is transferred when the Transfer is conducted.

(1)-6 “Cause of Closeout Netting” means a filing of a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganization proceedings, the commencement of liquidation or the commencement of special liquidation.

(2) “Selling Clearing Participant” means a Clearing Participant delivering Japanese government bonds in relation to Buying and Selling, Etc. of Japanese Government Bonds on Buying/Selling Settlement Day.

(3) “Ending Delivery Amount” means the amount of Money paid/received in relation to Repo Transaction, Etc., on the Ending Transaction Delivery Day.

(4) “Ending Monetary Payment Obligation” means the payment obligation in relation to Ending Delivery Amount.

(5) “Ending JGB Delivery Obligation (Basket)” means JGB Delivery Obligation (Basket) on the Ending Transaction Delivery Day.

(6) “Ending Transaction” means a transaction in relation to Repo Transaction, Etc., where repurchase or resell of Japanese government bonds is executed.

(7) “Ending Transaction Delivery Day” means the delivery date of the Ending Transaction.

(8) “Ending/Unwind JGB Delivery Obligation (Basket)” means Ending/Unwind JGB Delivery Obligation (Basket) as stipulated in Article 50-2, Paragraph 1.

(9) “Parent Company, Etc.” means a parent company of an corporate entity etc. (referred to as other corporate entity, etc. which controls determination of financial and business policies of the relevant corporate entity, etc., including the parent company of the relevant corporate entity, etc.; the same shall apply, hereinafter) and a subsidiary of the parent company of the relevant corporate entity, etc. (referred to as the other corporate entity of which financial and business policies are controlled by the parent company of the relevant corporate entity Etc., including a subsidiary of the relevant other corporate entity, etc.)) and other entities, as JSCC considers as equivalent thereto.

(10) “Guarantee by Parent Company, Etc.” means an extension of a guarantee by a

Parent Company, Etc. of a Clearing Participant for the obligations owed to JSCC by the relevant Clearing Participant, by submitting a document prescribed by JSCC in relation to a guarantee (including a document which JSCC considers as equivalent).

- (11) “Buying Clearing Participant” means a Clearing Participant receiving Japanese government bonds in relation to Buying and Selling, Etc. of Japanese Government Bonds on Buying/Selling Settlement Day.
- (12) “Lending Clearing Participant” means, in relation to Cash-secured Bond Lending Transactions, Etc., a Clearing Participant which delivers Japanese government bonds on Transaction Execution Day and receives Japanese government bonds on the Transaction Settlement Day.
- (13) “Borrowing Clearing Participant” means, in relation to Cash-secured Bond Lending Transactions, Etc., a Clearing Participant which receives Japanese government bonds on the Transaction Execution Day and delivers Japanese government bonds on Transaction Settlement Day.
- (14) “Subordinate Rules” collectively mean the rules prescribed by JSCC pursuant to these Business Rules (in whatever name and including the amendments thereto, if any).
- (15) “Money” means Japanese yen.
- (16) “Monetary Payment/Return Obligations” collectively means below obligations between JSCC and a Clearing Participant:
- A) Obligation to Pay Related to Participants Settlement;
  - B) The Starting/Rewind Monetary Payment Obligation (excluding the obligation paid pursuant to the provisions of Article 50-6) and the Ending/Unwind Monetary Payment Obligation (excluding the obligation paid pursuant to the provisions of Article 50-6) as stipulated in Article 50-2, Paragraph 2;
  - C) The return obligation in relation to the remaining amount of Initial Margin deposit (the amount of Initial Margin which a Clearing Participant currently deposits in Money);
  - D) The return obligation in relation to the remaining amount of JGB OTC Transaction Clearing Fund deposit (the amount of JGB OTC Transaction Clearing Fund which a Clearing Participant currently deposits in Money);
  - E) The payment obligation in relation to an amount equal to interest for Substituting Japanese Government Bonds for Initial Margin and JGB OTC

Transaction Clearing Fund owed by JSCC (including an amount equal to interest for Substituting Japanese Government Bonds of Default Contingent Margin paid by JSCC, pursuant to the provisions of Article 70-8, Paragraph 4 applied *mutatis mutandis* in accordance with the provisions in Article 83-9, Paragraph 4);

F) The payment obligation in relation to the amount equal to funding costs owed by a Clearing Participant pursuant to the provisions of Article 76, Paragraph 1; and

G) The return obligation in relation to the remaining amount of Default Contingent Margin Deposit (referring to the amount of Default Contingent Margin, currently deposited by a Clearing Participant in Money).

- (17) "Settlement Day, Etc." means Buying/Selling Settlement Day, Transaction Execution Day, Transaction Settlement Day, Starting Transaction Delivery Day, Ending Transaction Delivery Day (including the Substitution Execution Day), the day on which the Unwind Monetary Payment Obligation and the Unwind JGB Delivery Obligation (Basket) are to be performed and the day on which Rewind Monetary Payment Obligation and Rewind JGB Delivery Obligation (Basket) are to be performed).
- (18) "Cash-secured Bond Lending Transactions" means the lending of the Japanese government bonds and payment and receipt of Money for the purpose of securing thereof.
- (19) "Cash-secured Bond Lending Transactions, Etc." means Cash-secured Bond Lending Transactions and delivery/receipt of Japanese government bonds and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.
- (20) "Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transactions, Etc." means obligations to pay the amount equal to interest to be received when the interest payment day arrives in the period from the immediately following day of Transaction Execution Day (if such day falls on a bank holiday, immediately following day which is not a holiday) to the Transaction Settlement Day, as of such interest payment day, for borrowed Japanese government bonds in relation to Cash-secured Bond Lending Transactions, Etc.
- (21) "Repo Selling Clearing Participant" means, in relation to Repo Transaction, Etc., the Clearing Participant who delivers Japanese government bonds on Starting

Transaction Delivery Day and receives Japanese government bonds on Ending Transaction Delivery Day.

- (22) "Repo Buying Clearing Participant" means, in relation to Repo Transaction, Etc., the Clearing Participant who receives Japanese government bonds on the Starting Transaction Delivery Day and delivers Japanese government bonds on the Ending Transaction Delivery Day.
- (23) "Repo Transaction, Etc." means Standard Repo Transactions, Etc. and the Subsequent Collateral Allocation Repo Transactions, Etc.
- (24) "Obligation to Pay the Amount Equal to Interest Related to Repo Transactions, Etc." means obligations to pay the amount equal to interests to be received for Japanese government bonds which have been bought in relation to Repo Transactions, Etc. when the interest payment day arrives in the period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a bank holiday, immediately following day which is not a holiday) to Ending Transaction Delivery Day, as of such interest payment day.
- (25) "Clearing Participant subject to Proration on Original Transactions" means a Non-defaulting Clearing Participant holding Trust Account.
- (26) "Aggregate Loss subject to Original Transaction Proration" means the amount of Loss Resulting from Default Settlement (when Loss Resulting from Default Settlement is recovered pursuant to the provisions of Article 90-5, excluding the loss recovered by the relevant recovery) multiplying the proration specified by JSCC pursuant to the Subordinate Rules .
- (26)-2 "Customer Position" means among the unsettled claims and obligations based on Transactions Subject to Clearing to which a JGB OTC Transaction Agency Clearing Participant is a party, those related to the customer for whom the relevant JGB OTC Transaction Agency Clearing Participant acts as a broker under the Brokerage for Clearing of Securities, Etc.
- (26)-32 "JGB Futures Pair-off Netting" means deeming settlement related to a JGB Futures Contract (referring JGB Futures Contract set forth in Article 3, Paragraph.2, Item (3) of the Securities and Similar Contracts Business Rules) and settlement related to Individual Issue Transaction to have been settled, pursuant to the provisions of Article 50-12.
- (27) "Buying and Selling of Japanese Government Bonds" means buying and selling of Japanese government bonds without conditions to repurchase or resell them.

- (28) “Buying and Selling, Etc. of Japanese Government Bonds” means Buying Selling of Japanese Government Bonds and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.
- (29) “JGB Delivery/Return Obligation” collectively means below obligations between JSCC and a Clearing Participant:
- A) Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 46;
  - B) Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket);
  - C) Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-5;
  - D) JGB Delivery Obligation in relation to Buy-in owed by a Clearing Participant;
  - E) The obligation to return Remaining Quantity of Substituting Initial Margin Deposit;
  - F) The obligation to return Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit;
  - G) The obligation to deliver Japanese government bonds in relation to Standard Repo Transaction for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1 and Paragraph 2 of the said Article;
  - H) The obligation to deliver Japanese government bonds pursuant to the provisions of Article 80-7, Paragraph 2 in relation to Subject Transactions for Auction owed by JSCC or a Clearing Participant; and
  - I) The obligation to return Remaining Quantity of Substituting Default Contingent Margin Deposit.
- (30) “JGB OTC Transaction Principal Clearing Qualification” means JGB OTC Transaction Clearing Qualification which does not authorize the Clearing participant to operate the Brokerage for Clearing of Securities, Etc.
- (31) “Required JGB OTC Transaction Clearing Fund Amount” means the amount of JGB OTC Transaction Clearing Fund which a Clearing Participant is required to deposit with JSCC, pursuant to the provisions of Article 15 and Article 70-5.
- (32) “Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit” means the quantity of JGB OTC Transaction Clearing Fund which a Clearing Participant deposits by Substituting Japanese Government Bonds.

- (33) “JGB OTC Transaction Clearing Qualification” means the qualification to become counterparty to the JGB OTC Transaction Clearing Business conducted by JSCC.
- (34) “JGB OTC Transaction Agency Clearing Participant” means a participant who obtains JGB OTC Transaction Agency Clearing Qualification.
- (35) “JGB OTC Transaction Agency Clearing Qualification” means the JGB OTC Transaction Clearing Qualification which authorizes a Clearing Participant to operate the Brokerage for Clearing of Securities, Etc.
- (36) “JGB Delivery Obligation (Basket)” means obligation to deliver Japanese government bonds specified by Basket.
- (37) “Individual Issue Transaction” collectively means Buying and Selling Etc. of Japanese Government Bonds, Cash-secured Bond Lending Transactions Etc. and Standard Repo Transactions, Etc.
- (38) “Substitution” means, with respect to Standard Repo Transactions, Etc. simultaneous execution of transactions stated below A) and B), for the purpose of changing Japanese government bonds in relation to Ending Transaction of the relevant Standard Repo Transactions, Etc.:
- A) Transaction for which a Repo Selling Clearing Participant and a Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. assumes obligations stated in below (a) to (e), for the purpose of closing Original Repo Transaction, Etc.:
- (a) Obligations of Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. to deliver Japanese government bonds in relation to Original Repo Transaction, Etc. to Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. on Ending Transaction Delivery Day of Original Repo Transaction, Etc.;
- (b) Obligations of Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. to pay Money amount paid/received on Ending Transaction Delivery Day in relation to Original Repo Transaction, Etc. to Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. on Ending Transaction Delivery Day of Original Repo Transaction, Etc.;
- (c) Obligations of Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. to deliver Japanese government bonds in relation to Original Repo Transaction to Repo Selling Clearing Participant in

relation to Original Repo Transaction, Etc. on the Substitution Execution Day;

(d) Obligations of Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. to pay Money amount paid/received on the Starting Transaction Delivery Day of Repo Transaction, Etc. After Issue Change to Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. on the Substitution Execution Day; and

(e) Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc

B) Repo Transaction, Etc. After Issue Change

(39) “Substitution Execution Day” means the day on which the Original Repo Transaction, Etc. is to be closed.

(40) “Obligation to Pay Related to Participants Settlement” collectively means the following obligations between JSCC and a Clearing Participant:

A) The Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 46-3;

B) The payment obligation in relation to the market value of Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 47, Paragraph 2;

C) The payment obligation in relation to the delivery adjustment amount related to Individual Issue Transaction as stipulated in Article 47, Paragraph 3;

D) Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-7;

E) The payment obligation in relation to the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc., as stipulated in Article 50-8, Paragraph 2;

F) The payment obligation in relation to the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. as stipulated in Article 50, Paragraph 8, Item (3);

G) The payment obligation in relation to Fails Charges as stipulated in Article 52;

H) The payment obligation in relation to an amount equal to interest as stipulated in Article 53;

I) The payment obligation in relation to the amount equal to redemption amount as stipulated in Article 54;

- J) The payment obligation in relation to the buying/selling price in relation to Buy-in as stipulated in Article 56, Paragraph 1;
- K) The difference between buying/selling price in relation to Buy-in by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in as stipulated in Article 57, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in;
- L) The difference between buying/selling price in relation to Buy-in by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in as stipulated in Article 59, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in by Participants;
- M) The difference between buying/selling price in relation to Buy-in by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in as stipulated in Article 60, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in by Participants;
- N) The difference between buying/selling price in relation to Buy-in under the Uniform Practice Code and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for such Buy-in under the Uniform Practice Code as stipulated in Article 60, Paragraph 1 and an amount equal to funding cost required to conduct such Buy-in under the Uniform Practice Code;
- O) Obligation in relation to deposit of Variation Margin as stipulated in Article 65 and Article 66;
- P) The payment obligation in relation to return of Variation Margin and interest amount as stipulated in Article 67;

- Q) The payment obligation in relation to Standard Repo Transactions for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1, Item (2) and Paragraph 2 of the said Article; and
- R) The payment obligation in relation to Subject Transactions for Auction owed by JSCC or a Clearing Participant as stipulated in Article 80-7, Paragraph 2.
- (41) "Buy-in by Participant" means a purchase of Japanese government Bonds in order to complete the Settlement Related to Fail by a receiving Clearing Participant purchase on the account of JSCC under the name of the relevant receiving Clearing Participant.
- (42) "Capital-to-Risk Ratio" means the Capital-to-Risk ratio as stipulated in Article 46-6, Paragraph 1 of the Act.
- (42)-2 "Securities and Similar Contracts Business Rules" means the business rules prescribed by JSCC for its securities and similar contracts clearing business.
- (43) "Trust Account" means the Netting Account exclusively designated for transactions in relation to trusts.
- (44) "Starting Delivery Amount" means the amount of Money paid/received on the Starting Transaction Delivery Day for Repo Transaction, Etc.
- (45) "Amount equal to Starting Delivery Amount" means the amount of Money equal to Starting Delivery Amount.
- (46) "Starting Monetary Payment Obligation" means the payment obligation in relation to Starting Delivery Amount.
- (47) "Starting JGB Delivery Obligation (Basket)" means the JGB Delivery Obligation (Basket) on the Starting Transaction Delivery Day.
- (48) "Starting Transaction" means, in relation to Repo Transaction, Etc. an initial transaction selling or buying Japanese government bonds.
- (49) "Starting Transaction Delivery Day" means the delivery day for the Starting Transaction.
- (50) "Starting/Rewind JGB Delivery Obligation (Basket)" means the Starting/Rewind JGB Delivery Obligation (Basket) as stipulated in Article 50-2, Paragraph 1.
- (50)-2 "Sponsoring Participant" means a Clearing Participant who deposits the JGB OTC Transaction Clearing Fund for a Sponsored Participant.
- (50)-3 "Sponsoring Netting Account" means a Netting Account of a Sponsoring Participant who deposits the JGB OTC Transaction Clearing Fund for a Sponsored Netting Account.

- (50)-4 “Sponsored Participant” means a Clearing Participant who has other Clearing Participant deposit the JGB OTC Transaction Clearing Fund related to a Sponsored Netting Account.
- (50)-5 “Sponsored Netting Account” means a Netting Account for which deposit of the JGB OTC Transaction Clearing Fund is exempted due to use of the Clearing Fund Sponsored Scheme.
- (51) “Clearing Participant subject to Proration on Clearing Fund Requirement” means Non-Defaulting Clearing Participant other than a Clearing Participant holding Trust Account only.
- (52) “Aggregate Loss subject to Clearing Fund Requirement Proration” means the amount deducting Aggregate Loss subject to Original Transaction Proration from the amount of Loss Resulting from Default Settlement (when Loss Resulting From Default Settlement is recovered pursuant to the provisions of Article 90-5, excluding the amount recovered from the relevant recovery).
- (52)-2 “Clearing Fund Sponsored Scheme” means the scheme under which a Clearing Participant may have other Clearing Participant deposit JGB OTC Transaction Clearing Fund pursuant to the provisions of Chapter 11-2.
- (53) “Clearing Participant” means an entity which has obtained a JGB OTC Transaction Clearing Qualification.
- (54) “Clearing Qualification Classification” means a classification of JGB OTC Transaction Principal Clearing Qualification or JGB OTC Transaction Agency Clearing Qualification.
- (55) “Non-Defaulting Clearing Participant” means a Clearing Participant other than Defaulting Clearing Participant.
- (56) “First Tier JGB OTC Transaction Settlement Guarantee Reserve” means preserved amount set aside by JSCC in accordance with the Subordinate Rules pursuant to the provisions of Article 83 for the purpose of recovering the Loss Resulting from Default Settlement.
- (57) “Third Tier Special Clearing Charge” means Money paid by the Non-Defaulting Clearing Participant to JSCC, pursuant to Article 83-4.
- (58) “Third Tier Special Clearing Charge Collaterals” means Money which the relevant Clearing Participant deposits with JSCC for the purpose as stipulated in Article 83-8, Paragraph 1, Item (1).
- (59) “Second Tier JGB OTC Transaction Settlement Guarantee Reserve” means an

amount set aside by JSCC in accordance with the Subordinate Rules pursuant to the provisions of Article 83-2, for the purpose of recovering Loss Resulting from Default Settlement.

- (60) “Second Tier Bearing Limit of Clearing Participants subject to Original Transaction Proration” means Required JGB OTC Transaction Clearing Fund (in the case as stipulated in Article 90-6, Paragraph 1, the Required JGB OTC Transaction Clearing Fund calculated, deeming the Clearing Fund Sponsored Scheme has not been used)(if the Clearing Participant holds a Netting Account other than Trust Account, excluding the amount related to such Netting Account other than Trust Account) on the preceding day of the commencing day of Default Settlement Period (if such day falls on a holiday, immediately preceding day which is not a holiday) in which Default Determination Date in relation to the Defaulting Clearing Participant falls, for each Clearing Participants subject to Original Transaction Proration which applies JGB OTC Transaction Clearing Fund deposited with JSCC pursuant to the provisions of Article 83-2.
- (61) “Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration” means Required JGB OTC Transaction Clearing Fund (in the case as stipulated in Article 90-6, Paragraph 1, the Required JGB OTC Transaction Clearing Fund calculated, deeming the Clearing Fund Sponsored Scheme has not been used) (If the Clearing Participant holds a Trust Account, excluding the amount in relation to such Trust Account) on the preceding day of the commencing day of Default Settlement Period (if such day falls on a holiday, immediately preceding day which is not a holiday) in which Default Determination Date in relation to a Defaulting Clearing Participant falls, for each Clearing Participants subject to Clearing Fund Requirement Proration which applies JGB OTC Transaction Clearing Fund deposited with JSCC pursuant to the provisions of Article 83-2.
- (62) “Second Tier Total Amount Borne by Clearing Participants subject to Original Transaction Proration” means the total amount applied by Clearing Participant subject to Proration on Original Transactions from JGB OTC Transaction Clearing Fund deposited with JSCC in accordance with Original Transactions Proration pursuant to the provisions stipulated in Article 82, Paragraph 1, Item (1).
- (63) “Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration” means the total amount applied by Clearing Participant

- subject to Proration on Clearing Fund Requirement from JGB OTC Transaction Clearing Fund deposited with JSCC in accordance with Clearing Fund Requirement Proration pursuant to the provisions stipulated in Article 82, Paragraph 1, Item (2).
- (64) “Substituting Japanese Government Bonds” means Japanese government bonds deposited pursuant to the provisions of Article 70-8, Paragraph 1.
- (65) “Fourth Tier Special Clearing Charge” means Money paid from Non-Defaulting Clearing Participant to JSCC pursuant to the provisions of Article 83-7.
- (66) “Fourth Tier Special Clearing Charge Collaterals” means Money deposited by a Clearing Participant with JSCC pursuant to the provisions of Article 83-8, Paragraph 1, Item (2) for the purpose of securing obligations.
- (67) “Other Clearing Business” means Financial Instruments Obligation Assumption Service and its incidental service conducted by JSCC other than JGB OTC Transaction Clearing Business.
- (68) “Uniform Practice Code” means the Uniform Practice Code “Rules concerning Resolving Fails of Bonds” prescribed by the Japan Securities Dealers Association.
- (69) “Buy-In under the Uniform Practice Code” means the Buy-in as stipulated in the Uniform Practice Code.
- (70) “Original Repo Transaction, Etc.” means Standard Repo Transactions, Etc. subject to Substitution.
- (71) “Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc.” means obligations to pay the amount equals to interest to be received when the interest payment day arrives, for Japanese government bonds in relation to Original Repo Transaction, Etc., in the period from the immediately following day of the Substitution Execution Day (if such day falls on a bank holiday, immediately following day which is not a holiday) to Ending Transaction Delivery Day of Original Repo Transaction, Etc. by Repo Selling Clearing Participant of Original Repo Transaction, Etc. to Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc.
- (72) “Initial Margin Group” means a combination of Trust Accounts for the purpose of consolidating positions with respect to Initial Margin.
- (73) “Required Initial Margin Amount” means the amount of Initial Margin which a Clearing Participant is required to deposit with JSCC pursuant to the provisions in Article 15 and Article 70.

- (74) “Remaining Quantity of Substituting Initial Margin Deposit” means the amount of Initial Margin which a Clearing Participant currently deposits by Substituting Japanese Government Bonds
- (75) “Special Clearing Charge Collaterals” collectively means Third Tier Special Clearing Charge Collaterals and Fourth Tier Special Clearing Charge Collaterals.
- (76) “Transaction Execution Day” means the commencing day of the lending period for the Cash-secured Bond Lending Transactions, Etc.
- (77) “Transaction Settlement Day” means the closing day of the lending period for the Cash-secured Bond Lending Transactions, Etc.
- (78) “Netting Account” means the account which a Clearing Participant holds in JSCC for the purpose of payment/receipt of Money in performing Obligation to Pay Related to Participants Settlement and other payment/receipt of Money or delivery/receipt of Japanese government bonds pursuant to these Business Rules, to/from JSCC.
- (79) “Buying/Selling Settlement Day” means the settlement day for Buying and Selling Etc. of Japanese Government Bonds.
- (80) “Buy-in” means a purchase of Japanese government bonds by JSCC from Clearing Participants in order to complete the Settlement Related to Fail on the account of the delivering Clearing Participant in relation to the relevant Fail under the name of JSCC.
- (81) “Basket” means a combination of Japanese government bonds, designated by JSCC to specify the range of Japanese government bonds subject to Subsequent Collateral Allocation Repo Transaction.
- (82) “Basket Netting” means the netting calculation of JGB Delivery Obligation (Basket) and obligations to pay Money pursuant to the provisions in Article 50-2, with the same Basket and Settlement Day, Etc.
- (83) “Default Contingent Margin” means Money or Substituting Japanese Government Bonds to be deposited with JSCC by a Non-defaulting Clearing Participant for the purpose of securing the obligations stipulated in Article 83-9, Paragraph 1.
- (84) “Remaining Quantity of Substituting Default Contingent Margin Deposit” means the amount of Default Contingent Margin which a Non-Defaulting Clearing Participant currently deposited by Substituting Japanese Government Bonds.
- (85) “Loss Resulting From Default Settlement” means a loss incurred by JSCC arising from the remained obligations which have not been performed by such Defaulting

- Clearing Participant, with respect to the Monetary Payment/Return Obligation and JGB Delivery/Return Obligation owed by a Defaulting Clearing Participant to JSCC, after such obligations become a single obligation pursuant to the provisions in Article 79, or JSCC setoff such obligations pursuant to the provisions in Article 80.
- (86) “Positions subject to Default Settlement” means the unsettled claims and obligations of the Defaulting Clearing Participant under Transactions Subject to Clearing.
- (87) “Default Settlement Period” means the period, when the Default, Etc. is determined with respect to a Clearing Participant (excluding the cases where at the timing of the relevant determination, Default Settlement Period has already commenced), thirty (30) days from the Default Determination Date in relation to the relevant Clearing Participant; provided, however, that during the relevant period, if the Default Etc. is determined with respect to other Clearing Participant, the relevant period shall be extended to the period which is thirty (30) days from the Default Determination Date in relation to the relevant other Clearing Participant. The same applies to the cases where during such extended period, the Default, Etc. with respect to other Clearing Participant is determined.
- (88) “Auction for Default Settlement” means an auction for executing a Transaction for the purpose of Positions subject to Default Settlement.
- (89) “Defaulting Clearing Participant” means a Clearing Participant for which JSCC has determined the Default, Etc.
- (90) “Default, Etc.” means an event as stipulated in each Item of Paragraph 1 or each Item of Paragraph 2 of Article 78 or the case where JSCC acknowledges that a Clearing Participant is likely to become unable to pay.
- (91) “Default Determination Date” means the day on which JSCC determines that Default, Etc. has occurred with respect to the Clearing Participant.
- (92) “Fail” means the situation where on the Settlement Day, Etc., Japanese government bonds are not delivered by a delivering Clearing Participant by the cutoff time as stipulated in Article 50-11, Paragraph 1, Items (1) to (4), for each type of transactions specified in A) of each of the relevant Items.
- (93) “Fails Charges” means Money paid/received between JSCC and a Participant as bearing of Money in relation to the Settlement Related to Fail.
- (94) “Settlement Related to Fail” means the deferred settlement pursuant to the provisions of Article 51, Paragraph 1, the settlement specified by JSCC pursuant to

the provisions Paragraph 2 of the said Article, the settlement specified by JSCC pursuant to the provisions of Article 84-2 Paragraph 1 and the settlement specified by JSCC pursuant to the provisions of Article 84-3.

- (95) "Settlement Day Related to Fail" means the day on which the deferred settlement is executed pursuant to the provisions of Article 51, Paragraph 1, the day prescribed by JSCC pursuant to the provisions of Article 84-2, Paragraph 1 and the day prescribed by JSCC pursuant to the provisions of Article 84-3.
- (95)-2 "Pair-off Netting Applying Participant" means a party who has made an application stipulated in Article 50-12, Paragraph 4.
- (96) "Repo Transaction, Etc. After Issue Change" means Standard Repo Transactions, Etc. where a Repo Selling Clearing Participant in relation to Original Repo Transaction, Etc. sells Japanese Government Bonds after issue change in relation to Original Repo Transaction, Etc., to a Repo Buying Clearing Participant in relation to Original Repo Transaction, Etc. on Substitution Execution Day and buys them back on Ending Transaction Delivery Day in relation to Original Repo Transaction, Etc.
- (97) "Variation Margin" means pursuant to the provisions of Article 65 and Article 66, Money which Clearing Participant deposit with JSCC or JSCC deposit with a Clearing Participant.
- (98) "Business Rules, Etc." collectively mean these Business Rules and Rules.
- (99) "Unsettled Monetary Positions" collectively means the below obligations between JSCC and a Clearing Participant:
- A) The payment obligation in relation to the market value of the Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 47, Paragraph 2;
  - B) The payment obligation in relation to delivery adjustment amount related to Individual Issue Transaction as stipulated in Article 47, Paragraph 3;
  - C) Starting/Rewind Monetary Payment Obligation and Ending/Unwind Monetary Payment Obligation as stipulated in Article 50-2, Paragraph 2;
  - D) The payment obligation in relation to the market value of Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-8, Paragraph 2;
  - E) The payment obligation in relation to the delivery adjustment amount as stipulated in Article 50-8, Paragraph 3 in relation to Subsequent Collateral

Allocation Repo Transactions, Etc.;

- F) The payment obligation in relation to the amount equal to redemption amount as stipulated in Article 54;
- G) The payment obligation in relation to the buying/selling price in relation to Buy-In as stipulated in Article 56, Paragraph 1;
- H) The payment obligation in relation to Standard Repo Transaction for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1 Item (2) and Paragraph 2 of the said Article; and
- I) Starting/Rewind Monetary Payment Obligation and Ending/Unwind Monetary Payment Obligation as applied when Subject Transaction for Auction is constituted pursuant to the provisions in Article 80-7, Paragraph 1 as stipulated in Article 50-2, Paragraph 2.

(100) "Unsettled Securities Positions" collectively means below obligations between JSCC and a Clearing Participant:

- A) Security Settlement Obligation Related to Individual Issue Transaction as stipulated in Article 46;
- B) Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket);
- C) Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. as stipulated in Article 50-5;
- D) Obligation to deliver Japanese government bonds owed by a JSCC or Clearing Participant in relation to Buy-in;
- E) Obligation to deliver Japanese government bonds in relation to Standard Repo Transactions for which counterparty is a Clearing Participant as stipulated in Article 74, Paragraph 1, Item (2) and Paragraph 2 of the said Article;
- F) Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket) as applied when Transaction subject to Auction is constituted pursuant to the provisions in Article 80-7 as stipulated in Article 50-2, Paragraph 2; and
- G) Obligation to deliver Japanese government bonds in relation to Subject Transaction for Auction owed by JSCC or a Clearing Participant as stipulated in Article 80-7, Paragraph 2.

(101) "Subsequent Collateral Allocation Repo Transaction" means Buying/Selling of

Japanese government bonds or Buying/Selling of Japanese government bonds with the condition to repurchase or resell them, for which Japanese government bonds subject to Buying/Selling are specified as Basket.

(102) “Subsequent Collateral Allocation Repo Transaction, Etc.” means Subsequent Collateral Allocation Repo Transactions and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.

(103) “Standard Repo Transaction” means Buying/Selling of Japanese government bonds with the condition to repurchase or resell them which specifies Japanese government bonds subject to Buying/Selling by specifying the issue (including those based on the GMRA Agreement).

(104) “Standard Repo Transaction, Etc.” means Standard Repo Transactions and delivery/receipt of Japanese government bonds and payment/receipt of Money to perform obligations under such Transaction.

(105) “Collateral Allocation” means the allocation of issues and quantity to the Starting/Rewind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the day on which the Basket Netting is executed and the Ending/Unwind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the immediately following day on which the Basket Netting (if such day falls on a holiday, following day which is not a holiday) is executed pursuant to the provisions in Article 50-4.

(106) “Consolidated Capital-to-Risk Ratio” means Consolidated Capital-to-Risk Ratio as stipulated in Article 2 of “The matters to specify the criteria whether or not the condition of the level of net asset of a Special Financial Instruments Business Operator and its subsidiary Etc. is adequate or not in light with its holding assets, Etc. of the relevant Special Financial instruments Business Operator and its subsidiary” (Notification No.128 of the Financial Services Agency, 2010).

(106)-2 “GMRA Agreement” means the agreement based on the Global Master Repurchase Agreement published by the International Capital Market Association and the Securities Industry and Financial Markets Association.

(107) “Rewind Monetary Payment Obligation” means the obligations to pay the amount equal to Starting Delivery Amount to a Repo Selling Clearing Participant by a Repo Buying Clearing Participant, in relation to Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction

Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day) on each day (excluding a holiday) in the period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday).

(108) “Rewind JGB Delivery Obligation (Basket)” means JGB Delivery Obligation (Basket) owed by a Repo Selling Clearing Participant to a Repo Buying Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day), on each day (excluding a holiday) in the period from immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the immediately preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, preceding day which is not a holiday).

(109) “Unwind Monetary Payment Obligation” means the obligations to pay the amount equal to Starting Delivery Amount to a Repo Buying Clearing Participant by a Repo Selling Clearing Participant, in relation to Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day) on each day (excluding a holiday) in the period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday).

(110) “Unwind JGB Delivery Obligation (Basket)” means JGB Delivery Obligation (Basket) owed by a Repo Buying Clearing Participant to a Repo Selling Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transactions, Etc. (excluding the transactions of which Ending Transaction Delivery Day arrives on the immediately following day of the Starting Transaction Delivery Day), on each day (excluding a holiday) in the period from immediately following day of the Starting Transaction Delivery Day (if such day falls on a holiday, following day which is not a holiday) to the immediately preceding day of Ending Transaction Delivery Day (if such day falls on a holiday, preceding day which is not a holiday).

(Article 3 Financial Instruments Obligation Assumption Service and Related Service)

JSCC shall conduct the Financial Instruments Obligation Assumption Service which covers the Japanese Government Bond Over-the-Counter Transaction conducted pursuant to these Business Rules, Etc. and the business related thereto prescribed in Article 156-6, Paragraph 1 of the Act.

(Article 4 Transactions Subject to Clearing)

1. JSCC's JGB OTC Transaction Clearing Business shall arise only with respect to transactions (hereinafter referred to as the "Transactions Subject to Clearing") that involve Japanese government bonds (limited to those specified by JSCC).
2. The Transactions Subject to Clearing shall consist of the transactions set forth in each of the following Items (limited to those specified by JSCC):
  - (1) Buying and Selling of Japanese government bonds;
  - (2) Cash-secured Bond Lending Transactions
  - (3) Standard Repo Transactions;
  - (4) Subsequent Collateral Allocation Repo Transactions; and
  - (5) Delivery/receipt of Japanese government bonds or payment/receipt of Cash executed to perform obligations under the transactions listed in the each of the preceding Items.
3. JSCC shall, in a manner prescribed by JSCC, designate, abolish or amend the content of Basket in relation to Subsequent Collateral Allocation Repo Transaction.

(Article 5 Holidays)

1. JSCC shall have the days set forth in each of the following Items as its holidays:
  - (1) Sundays;
  - (2) National holidays;
  - (3) When a national holiday falls on a Sunday, the immediately following day which is not a national holiday;
  - (4) The day which immediately follows and at the same time immediately precedes national holidays;
  - (5) Saturdays;
  - (6) The first three (3) days of each year; and
  - (7) December 31.
2. JSCC may, when it deems necessary, have extraordinary holidays.
3. JSCC may, when it deems necessary, extraordinarily suspend or conduct all or part of

the business with respect to the JGB OTC Transaction Clearing Business.

4. In the case of the preceding two (2) Paragraphs, JSCC shall notify Clearing Participants as stipulated in Article 5, Paragraph 1 to that effect in advance.

## Chapter 2 Clearing Participants

### Section 1 Obtaining JGB OTC Transaction Clearing Qualification

(Article 6 Application and Approval for Obtaining JGB OTC Transaction Clearing Qualification)

1. Any entity listed in each of the following items may apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC, specifying whether it applies for the JGB OTC Transaction Principal Clearing Qualification or the JGB OTC Transaction Agency Clearing Qualification. In such case, when any of the entities listed in Items (2) to (6) below is applying for obtaining the JGB OTC Transaction Agency Clearing Qualification, only a Registered Financial Institution may apply for it.
  - (1) A Financial Instruments Business Operator (limited to the one which has obtained registration of the operation with respect to the acts prescribed in Article 28, Paragraph 1, Item (1) of the Act);
  - (2) A bank;
  - (3) A Cooperative Structured Financial Institution (referring to the Cooperative Structured Financial Institution as stipulated in Article 2, Paragraph 1 of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Act No. 44 of 1993); the same applies hereinafter) and The Shoko Chukin Bank, Ltd.;
  - (4) An insurance company;
  - (5) A Securities Finance Company; and
  - (6) A Call Loan Dealer (referring to the entity listed in Article 1-9, Item (5) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965); the same applies hereinafter).
2. Any entity listed in each Item of the preceding Paragraph may, in addition to the application as stipulated in the preceding Paragraph, apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC, specifying its intention to obtain the JGB OTC Transaction Principal Clearing

Qualification on the condition that a Guarantee by Parent Company, Etc. is extended for all of its obligations owed to JSCC in relation to JGB OTC Transaction Clearing Business. Such party shall, for such application, the document in relation to the Guarantee by Parent Company, Etc. in a form prescribed by JSCC (including the document which JSCC approves as equivalent of the relevant document).

3. Any entity listed in Paragraph 1, Item (1) may, in addition to the application as stipulated in the preceding two (2) Paragraphs, apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC, specifying its intention to obtain the JGB OTC Transaction Principal Clearing Qualification on the condition that if such entity obtains the JGB OTC Transaction Clearing Qualification, the obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 will be netted out at a ratio of not less than the ratio as prescribed by JSCC.
4. When an application for obtaining the JGB OTC Transaction Clearing Qualification has been filed pursuant to the provisions of the preceding three (3) Paragraphs and JSCC deems that the applicant for obtaining the JGB OTC Transaction Clearing Qualification (hereinafter referred to as the "Qualification Applicant") is appropriate to be qualified as a result of the examination, JSCC shall approve the relevant JGB OTC Transaction Clearing Qualification.
- 5 Notwithstanding the provisions of Paragraph 1, a Specified Successor Financial Institution (as defined in Article 126-34, Paragraph 3, Item (5) of the Deposit Insurance Act (Act No. 34 of 1971); the same applies hereinafter) may apply for obtaining the JGB OTC Transaction Clearing Qualification to JSCC in accordance with the relevant rules of JSCC. If such application is made, JSCC may approve the JGB OTC Transaction Clearing Qualification to such Qualification Applicant.
6. The approval set forth in preceding two Paragraphs shall be granted designating the date on which the Qualification Applicant is to obtain the JGB OTC Transaction Clearing Qualification.
7. When JSCC approves an application for obtaining the JGB OTC Transaction Clearing Qualification pursuant to the provisions of Paragraph 4 or 5, JSCC shall notify the relevant Qualification Applicant and each Clearing Participant to that effect.

(Article 7 Criteria for JGB OTC Transaction Clearing Qualification)

1. The examination as stipulated in Paragraph 4 of the preceding Article with respect to

the application set forth in Paragraph 1 of said Article shall be conducted on the matters described in each of the following Items in respect of the Qualification Applicant and other matters which are deemed necessary for the operation of the JGB OTC Transaction Clearing Business.

(1) Management Structure

The Qualification Applicant shall have a sound management structure (e.g., it is not controlled or influenced by a person who is deemed inappropriate, taking into account JSCC's operation of the JGB OTC Transaction Clearing Business) such that the credibility of JSCC's JGB OTC Transaction Clearing Business among the general public can be expected to be sufficiently protected.

(2) Financial Basis

The Qualification Applicant is expected to fulfill the requirements set forth in either of A) or B) below in accordance with the classification of A) and B), and to have stable profitability as a Clearing Participant, before the date on which it is to obtain the JGB OTC Transaction Clearing Qualification.

A) A Financial Instruments Business Operator, a Securities Finance Company or a Call Loan Dealer

(a) The amount of its stated capital is not less than three hundred million (300,000,000) yen;

(b) The amount of its net worth (*jun zaisan*) (its net assets (*jun shisan*) in the case of a Securities Finance Company or a Call Loan Dealer) is not less than five billion (5,000,000,000) yen (twenty billion (20,000,000,000) yen in the case of the JGB OTC Transaction Agency Clearing Qualification);

(c) In the case of a Financial Instruments Business Operator, the Capital-to-Risk Ratio is more than two hundred (200) percent, and in the case of a Securities Finance Company or a Call Loan Dealer, it must satisfy the condition equivalent thereto; and

(d) In the case of a Specified Financial Instruments Business Operator (limited to the one who is required to submit the notification as stipulated in Article 57-5, Paragraph 2 of the Act; the same applies hereinafter), the Consolidated Capital-to-Risk Ratio is more than two hundred (200) percent.

B) A bank, a Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd. or an insurance company

(a) The amount of its stated capital or the total amount of capital contribution

(in the case of a mutual company (*sougo kaisha*), the total amount of the foundation fund (*kikin*) (including the amount of reserve for redemption of the foundation fund); the same applies hereinafter) is not less than three hundred million (300,000,000) yen;

(b) The amount of its net assets (*jun shisan*) is not less than five billion (5,000,000,000) yen (twenty billion (20,000,000,000) yen in the case of the JGB OTC Transaction Agency Clearing Qualification); and

(c) In the case of Banks (meaning a bank, a Cooperative Structured Financial Institution or The Shoko Chukin Bank, Ltd., the same applies hereinafter) that is a financial institution subject to Uniform International Standards, it satisfies the requirements set forth in a. to c. below (in the case where it is a foreign bank, the requirements equivalent thereto):

- a. Its non-consolidated and consolidated Common Equity Tier 1 ratio (for an institution which operates with investment from its members, its non-consolidated and consolidated common capital contribution Tier 1 ratio; the same applies hereinafter) is more than 4.5 percent;
- b. Its non-consolidated and consolidated Tier 1 ratio is more than 6 percent; and
- c. Its non-consolidated and consolidated Total Capital ratio is more than 8 percent; and

(d) In the case of Banks other than financial institutions subject to Uniform International Standards (hereinafter referred to as "Financial Institution subject to Japanese Standard"), its non-consolidated and consolidated capital adequacy ratio under the domestic standards is more than four (4) percent; and

(e) In the case of an insurance company, its non-consolidated and consolidated solvency margin ratio is more than four hundred (400) percent.

### (3) Business Execution Structure

The Qualification Applicant has an appropriate structure for business execution regarding the settlement of the Transactions Subject to Clearing; the management of the risk of loss; and the compliance with the Laws and Regulations (referring to the Act and related laws and regulations; the same applies hereinafter), dispositions imposed by the administrative agencies based on the Laws and Regulations, these Business Rules, Etc.

2. The examination as stipulated in Paragraph 4 of the preceding Article with respect to the application set forth in Paragraph 2 of said Article shall be conducted on the matters described in each of the following Items in respect of the Qualification Applicant and other matters which are deemed necessary for the operation of the JGB OTC Transactions Clearing Business.

(1) Financial Basis

The Qualification Applicant is expected to fulfill the requirements set forth in either of A) or B) below in accordance with the classification of A) and B), and to have stable profitability as a Clearing Participant, before the date on which it is to obtain the JGB OTC Transaction Clearing Qualification.

A) A Financial Instruments Business Operator, a Securities Finance Company or a Call Loan Dealer

(a) The amount of its stated capital is not less than three hundred million (300,000,000) yen;

(b) The amount of its net worth (*jun zaisan*) (its net assets (*jun shisan*) in the case of a Securities Finance Company or a Call Loan Dealer) is not less than one billion (1,000,000,000) yen;

(c) In the case of a Financial Instruments Business Operator, the Capital-to-Risk Ratio is more than one hundred and forty (140) percent, and in the case of a Securities Finance Company or a Call Loan Dealer, it must satisfy the condition equivalent thereto;

(d) In the case of a Specified Financial Instruments Business Operator, the Consolidated Capital-to-Risk Ratio is more than one hundred and forty (140) percent; and

(e) Guarantee is obtained from the Qualification Applicant's Parent Company, Etc.

B) A bank, a Cooperative Structured Financial Institution, The Shoko Chukin Bank, Ltd. or an insurance company

(a) The amount of its stated capital or the total amount of capital contribution is not less than three hundred million (300,000,000) yen;

(b) The amount of its net assets (*jun shisan*) is not less than one billion (1,000,000,000) yen;

(c) In the case of a financial institution subject to Uniform International Standards, it satisfies the requirements set forth in a. to c. below (in the case where it is a

foreign bank, the requirements equivalent thereto):

- a. Its non-consolidated and consolidated Common Equity Tier 1 ratio is more than 4.5 percent;
- b. Its non-consolidated and consolidated Tier 1 ratio is more than 6 percent; and
- c. Its non-consolidated and consolidated Total Capital ratio is more than 8 percent; and

(d) In the case of a Financial Institution subject to Japanese Standard, its non-consolidated and consolidated capital adequacy ratio under the domestic standards is more than four (4) percent; and

(e) In the case of an insurance company, its non-consolidated and consolidated solvency margin ratio is more than two hundred (200) percent; and

(f) . is obtained by the Qualification Applicant's Parent Company, Etc.

(2) Financial Basis of Parent Company, Etc.

The Qualification Applicant's Parent Company, Etc. (limited to Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for the relevant Qualification Applicant; the same applies hereinafter) is expected to fulfill the requirements below before the date on which the Qualification Applicant is to obtain the JGB OTC Transaction Clearing Qualification.

- A) The amount of its stated capital or the amount of capital contribution is not less than three hundred million (300,000,000) yen;
- B) The amount of its net worth (*jun zaisan*) (in the case where the Parent Company, Etc. is not Financial Instruments Business Operator, its net assets (*jun shisan*) or the equivalent amount thereto) of the Parent Company, Etc. of the Qualification Applicant is not less than 5 billion yen multiplying by the number of Clearing Participants for which Parent Company, Etc. extends a Guarantee by Parent Company, Etc. (if such Parent Company, Etc. is a Clearing Participant, adding one (1) to such number) (provided, however that if such amount becomes less than twenty billion (20,000,000,000) yen, such amount shall be twenty billion (20,000,000,000) yen);
- C) In the case where the relevant Parent Company, Etc. is a Financial Instruments Business Operator, the Capital-to-Risk Ratio is more than two hundred (200) percent, and in the case of a Securities Finance Company or a Call Loan Dealer, it must satisfy the condition equivalent thereto; and

- D) In the case where the relevant Parent Company, Etc. is a Specified Financial Instruments Business Operator, the Consolidated Capital-to-Risk Ratio is more than two hundred (200) percent.
- E) In the case where the relevant Parent Company, Etc. is a financial institution subject to Uniform International Standards, it satisfies the requirements set forth in (a) to (c) below (in the case where it is a foreign bank, the requirements equivalent thereto):
- (a) Its non-consolidated and consolidated Common Equity Tier 1 ratio is more than 4.5 percent;
  - (b) Its non-consolidated and consolidated Tier 1 ratio is more than 6 percent; and
  - (c) Its non-consolidated and consolidated Total Capital ratio is more than 8 percent.
- F) In the case where the relevant Parent Company, Etc. is a Financial Institution subject to Japanese Standard, its non-consolidated and consolidated capital adequacy ratio under the domestic standards is more than four (4) percent;
- G) In the case where the relevant Parent Company, Etc. is an insurance company, its non-consolidated and consolidated solvency margin ratio is more than four hundred (400) percent; and
- H) In the case where the relevant Parent Company, Etc. is neither a Specified Financial Instruments Business Operator, Special Financial Instruments Business Operator, a Financial Institution subject to Uniform International Standards, nor a Financial Institution subject to Japanese Standard, it satisfies the requirements equivalent of either of those specified in C) to G).
- (3) The matters set forth in Items (1) and (3) of the preceding Paragraph.
3. The examination as stipulated in Paragraph 4 of the preceding Article with respect to the application set forth in Paragraph 3 of said Article shall be conducted on the matters described in each of the following Items in respect of the Qualification Applicant and other matters which are deemed necessary for the operation of the JGB OTC Transactions Clearing Business.
- (1) Financial Basis
- The Qualification Applicant is expected to fulfill the requirements set forth below, and to have stable profitability as a Clearing Participant, before the date on which it is to obtain the JGB OTC Transaction Clearing Qualification:

- (a) The amount of its stated capital is not less than three hundred million (300,000,000) yen;
  - (b) The amount of its net worth (*jun zaisan*) is not less than two and a half billion (2,500,000,000) yen;
  - (c) The Capital-to-Risk Ratio is more than two hundred (200) percent; and
  - (d) In the case of a Specified Financial Instruments Business Operator, the Consolidated Capital-to-Risk Ratio is more than two hundred (200) percent.
- (2) The obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 is expected to be netted out at a ratio of not less than the ratio as prescribed by JSCC, if the Qualification Applicant obtains the JGB OTC Transaction Clearing Qualification.
- (3) The matters set forth in Paragraph 1, Items (1) and (3).

(Article 8 Completion of Procedures for Obtaining JGB OTC Transaction Clearing Qualification)

1. When JSCC has approved the JGB OTC Transaction Clearing Qualification pursuant to the provisions of Article 6, Paragraph 4, JSCC shall cause the Qualification Applicant to deposit Initial Margin and JGB OTC Transaction Clearing Fund and complete other procedures that JSCC deems necessary for obtaining the JGB OTC Transaction Clearing Qualification on or before the day (if such day falls on a holiday, the day shall be the immediately preceding business day; the same applies hereinafter except for Article 53 and Article 54, Paragraph 1) which immediately precedes the date designated by JSCC pursuant to the provisions of Paragraph 6 of said Article.
2. When the Qualification Applicant (excluding a Qualification Applicant which is a Specified Successor Financial Institution) did not complete the procedures set forth in the preceding Paragraph on or before the day immediately preceding the date designated by JSCC pursuant to the provisions of Article 6, Paragraph 6, the application for the JGB OTC Transaction Clearing Qualification shall be deemed to have been withdrawn.
3. When JSCC approves the JGB OTC Transaction Clearing Qualification pursuant to Article 6, Paragraph 5, JSCC shall have the Qualification Applicant deposit Initial Margin and JGB OTC Transaction Clearing Fund and complete other procedures that JSCC deems necessary for obtaining the JGB OTC Transaction Clearing Qualification.

## (Article 9 Date of Obtaining JGB OTC Transaction Clearing Qualification)

1. When the Qualification Applicant has completed the procedures set forth in Paragraph 1 or 3 of the preceding Article (in respect of the procedures under Paragraph 3 of the preceding Article, the provisions of this Paragraph shall apply only to those whose deadline for completion specified by JSCC is a date on or before the date designated by JSCC pursuant to the provisions of Article 6, Paragraph 6), JSCC shall grant the JGB OTC Transaction Clearing Qualification on the date designated by JSCC pursuant to the provisions of Article 6, Paragraph 6.
2. When JSCC grants the Qualification Applicant the JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Paragraph, JSCC shall notify the Qualification Applicant and each Clearing Participant to that effect.

## (Article 9-2 Changing Classification of Clearing Qualification)

1. The provisions of Article 6, Paragraphs 1, 4, 6 and 7, Article 7, Paragraph 1 and the immediately preceding Article shall apply *mutatis mutandis* when a Clearing Participant changes the classification of its Clearing Qualification. In this case, the term “obtaining the JGB OTC Transaction Clearing Qualification” in Article 6, Paragraphs 1, 4 and 7 shall be deemed to be replaced with “changing classification of the JGB OTC Transaction Clearing Qualification,” “applicant for obtaining the JGB OTC Transaction Clearing Qualification (hereinafter referred to as the “Qualification Applicant”)” in Article 6, Paragraph 4 shall be deemed to be replaced with “applicant for change of classification of JGB OTC Transaction Clearing Qualification,” “Qualification Applicant” in Article 6, Paragraph 7 and the immediately preceding Article shall be deemed to be replaced with “applicant for change of classification of Clearing Qualification ,” “date on which the Qualification Applicant (it) is to obtain the JGB OTC Transaction Clearing Qualification” in Article 6, Paragraph 6 and Article 7, Paragraph 1, Item (2) shall be deemed to be replaced with “date on which the classification of the JGB OTC Transaction Clearing Qualification is to be changed,” “grant the JGB OTC Transaction Clearing Qualification” in Paragraph 1 of the immediately preceding Article shall be deemed to be replaced with “change the classification of the JGB OTC Transaction Clearing Qualification,” and “When JSCC grants the Qualification Applicant the JGB OTC Transaction Clearing Qualification” in Article 9, Paragraph 2 shall be deemed to be replaced with “When JSCC changes the classification of the JGB OTC Transaction Clearing Qualification.”

2. When a JGB OTC Transaction Agency Clearing Participant applies for changing classification of its Clearing Classification, it must perform all of its Outstanding Obligations (referring to the obligation of the Clearing Participant owed to JSCC in relation to JGB OTC Transaction Clearing Business which remain outstanding (excluding those obligations designated by JSCC at each occasion ; the same applies hereinafter) which relates to the Brokerage for Clearing of Securities, Etc. in advance.
3. Starting from the day (if such day falls on a holiday, next day which is not a holiday; the same applies hereinafter except for Article 23, Paragraph 1,) immediately following the date on which JSCC receives an application for change of the classification of the JGB OTC Transaction Clearing Qualification from JGB OTC Transaction Agency Clearing Participant, JSCC shall suspend new assumption of the obligations arising from the Brokerage for Clearing of Securities, Etc. for Transactions subject to Clearing to which such JGB OTC Transaction Agency Clearing Participant is a party.

(Article 9-3 Procedure for Guarantee by Parent Company, Etc.)

A Clearing Participant which has obtained JGB OTC Transaction Principal Clearing Qualification pursuant to the application stipulated in Article 6, Paragraph 1 or Paragraph 3 of the said Article may be granted a Guarantee by Parent Company, Etc., by causing the relevant parent Company, Etc. to submit the document in relation to the guarantee in a form prescribed by JSCC (including the document which JSCC approves as equivalent of the relevant document), when such Parent Company, Etc. satisfies the criteria specified in A) through H) of Article 7, Paragraph 2, Item (2).

### Section 3 Obligation of Clearing Participants

(Article 10 Conclusion of Clearing Participant Agreement)

A Clearing Participant shall enter into the Clearing Participant Agreement in the form prescribed by JSCC with JSCC.

(Article 11 Clearing Participant's Representative)

1. A Clearing Participant shall, in accordance with the relevant rules of JSCC, register with JSCC in advance an individual designated from among its representative directors or representative executive officers (if the Clearing Participant is a Financial Instruments Business Operator which is a foreign entity or a foreign bank, from among its

representatives in Japan holding a position at least equal to a director or an executive officer), who is appropriate to represent the Clearing Participant vis-a-vis JSCC as the Clearing Participant's representative.

2. Only the Clearing Participant's representative shall represent a Clearing Participant vis-a-vis JSCC; provided, however, that as for daily routine operations, a Clearing Participant may have a deputy conduct daily routine operations, specifying the scope of such operations and submitting such person to JSCC in advance.

(Article 12 Person in Charge of Settlement Business)

A Clearing Participant shall designate an individual to be in charge of supervising the business of the settlement of the Transactions Subject to Clearing from among its directors, officers or employees, and register such individual with JSCC in accordance with the relevant rules of JSCC.

(Article 13 Cooperative or Controlling Relationship with Directors, Officers, or Other Persons)

1. When JSCC deems that a cooperative or controlling relationship with a director, officer or other person of a Clearing Participant is inappropriate taking into account JSCC's operation of the JGB OTC Transaction Clearing Business, JSCC may conduct a hearing for the Clearing Participant and request for a change, presenting the reason therefor; provided, however, that if the Clearing Participant submits a written statement, such submission of said statement may substitute the hearing.
2. When the Clearing Participant refuses the hearing set forth in the preceding Paragraph without a justifiable reason, JSCC may request for the change set forth in said Paragraph without a hearing.
3. When the Clearing Participant deems that the request for a change pursuant to Paragraph 1 is unwarranted, the Clearing Participant may file a petition in writing with JSCC by presenting the reason therefor within ten (10) days after the receipt of the notice of the request for a change.
4. When JSCC receives the petition set forth in the preceding Paragraph, it shall convene a meeting of its board of directors without delay.
5. If it was deemed appropriate to modify or withdraw the request for a change set forth in Paragraph 1 at the meeting of the board of directors set forth in the preceding Paragraph, such request for a change shall be immediately modified or withdrawn.

(Article 14 Payment of Fees by Clearing Participant)

A Clearing Participant shall pay the fees prescribed by the Subordinate Rules of JSCC to JSCC in accordance with those rules.

(Article 15 Deposit of Initial Margin and JGB OTC Transaction Clearing Fund)

A Clearing Participant shall deposit with JSCC, pursuant to the provisions in Chapter 9, Initial Margin and JGB OTC Transaction Clearing Fund to ensure the performance of its obligations owed to JSCC in respect of JGB OTC Transaction Clearing Business.

(Article 16 Prohibition of Transfer of Rights, Etc.)

A Clearing Participant shall not transfer, commit to transfer or provide as collateral to a third party its rights or claims against JSCC under these Business Rules.

(Article 17 Liability for JGB OTC Transaction Clearing Business)

JSCC shall not be held liable to indemnify against a Clearing Participant for any damages that has arisen on its business in relation to the JGB OTC Transaction Clearing Business conducted by JSCC, unless a willful misconduct or gross negligence on the part of JSCC is found.

(Article 18 Matters to be Notified)

1. When a Clearing Participant intends to carry out any of the following actions, it shall notify JSCC of the details in advance in accordance with the relevant rules of JSCC:
  - (1) Discontinuation of all or part of its business (limited to the case where the Clearing Participant ceases to fall under any of the entities as stipulated in each Item of Article 6, Paragraph 1 by such discontinuation of all or part of its business; the same applies hereinafter);
  - (2) Merger in which the Clearing Participant is merged into another company and becomes an extinct company, and merger in which the Clearing Participant merges with another company and establishes a new company;
  - (3) Dissolution of the Clearing Participant due to any reason other than a merger or a decision to commence bankruptcy proceeding;
  - (4) Succession of all or part of its business to another company due to a company split;
  - (5) Transfer of all or part of its business;

- (6) Merger in which the Clearing Participant becomes a surviving company after merging with another company;
  - (7) Succession of all or part of business of another company due to a company split;
  - (8) Acquisition of all or part of business;
  - (9) Change in the trade name or corporate name (including a change in the trade name or corporate name in English);
  - (10) Change in the composition of its directors or officers; or
  - (11) Change in the location of its headquarters or principal office.
2. In addition to the provisions set forth in the preceding Paragraph, when a JGB OTC Transaction Agency Clearing Participant is to discontinue the operations in respect of the Brokerage for Clearing of Securities, Etc., it shall notify JSCC of the details in advance in accordance with the relevant rules of JSCC.
  3. In addition to the provisions set forth in Paragraph 1, a Clearing Participant shall, if a Guarantee by Parent Company, Etc. by the Parent Company, Etc. has been extended, when its Parent Company, Etc. intends to carry out any of the actions listed in Items (1) to (9) and (11) of said Paragraph, notify JSCC of the details in advance in accordance with the relevant rules of JSCC.

(Article 19 Matters to be Reported)

When a Clearing Participant falls under the circumstances prescribed by JSCC, it shall immediately report the details to JSCC.

(Article 20 Examination on Clearing Participant, Etc.)

1. In the event that JSCC conducts an examination on the status of the Clearing Participant's compliance with these Business Rules, Etc., or that JSCC conducts an examination on the financial condition of the Clearing Participant, or that JSCC conducts an examination on the certainty about the performance of the Clearing Participant's obligations owed to JSCC, or other event that JSCC deems it necessary to do so for its operation of the JGB OTC Transaction Clearing Business, JSCC may request the Clearing Participant to submit a report or document which should serve as reference regarding the business or assets of the Clearing Participant, or may cause its employees to inspect the Clearing Participant's business, financial condition, books, documents, or other materials.
2. The provisions of the preceding Paragraph shall apply *mutatis mutandis* to the cases

where JSCC conducts an examination on the financial condition of Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for the Clearing Participant and other cases where JSCC deems it necessary to do so for the operation of its JGB OTC Transaction Clearing Business. In such case, the term “Clearing Participant” shall be deemed to be replaced with “Parent Company, Etc. (limited to Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. of the Clearing Participant.”

### Section 3 Voluntary Renunciation of JGB OTC Transaction Clearing Qualification

(Article 21 Application for Renouncing JGB OTC Transaction Clearing Qualification)

1. When a Clearing Participant intends to renounce its JGB OTC Transaction Clearing Qualification, it shall apply for the renunciation of the JGB OTC Transaction Clearing Qualification in accordance with the relevant rules of JSCC.
2. When JSCC receives the application for renunciation of JGB OTC Transaction Clearing Qualification set forth in the preceding Paragraph, JSCC shall notify the Clearing Participants to that effect.

(Article 22 Deleted)

(Article 23 Renouncing of JGB OTC Transaction Clearing Qualification)

1. In the case where a Clearing Participant applies for the renunciation of its JGB OTC Transaction Clearing Qualification pursuant to Article 21, Paragraph 1, Item (1), the Clearing Participant will renounce its JGB OTC Transaction Clearing Qualification either at the time JSCC assumes obligations as set forth in Article 44, Paragraph 2 on the 30<sup>th</sup> day from and including the day that follows the day on which such application was made or at the time when all Outstanding Obligations of the relevant Clearing Participant are cancelled, whichever is later; or if the application was made during a Default Settlement Period Etc. for such Clearing Participant (and if another Clearing Participant is determined to be in Default, Etc. during such period, such period shall be extended until the day on which 30 days have elapsed from the Default Determination Date for such other Clearing Participant, and if any further Clearing Participant is determined to be in Default, Etc. during such extended period, such period shall be further extended in the same manner); the same applies hereinafter) or a Default Settlement Period commences during the period from the day on which such

application was made until the renunciation of the JGB OTC Transaction Clearing Qualification of such Clearing Participant becomes effective, either at the time designated by JSCC on the day on which the Default Settlement Period ends or at the time when all Outstanding Obligations of the relevant Clearing Participant are cancelled, whichever is later.

2. In the event that a JGB OTC Transaction Clearing Participant renounces its JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Paragraph, JSCC shall notify the Clearing Participant renouncing JGB OTC Transaction Clearing Qualification and each Clearing Participant to that effect.

(Article 24 Special Provisions for Merger, Etc. of Clearing Participant Renouncing JGB OTC Transaction Clearing Qualification)

Notwithstanding the provisions of Paragraph 1 of the preceding Article, when JSCC deems it unnecessary to have a Clearing Participant who applies for renunciation of its JGB OTC Transaction Clearing Qualification cancel all of its Outstanding Obligations in certain cases like that it is merged into, or causes its business through a corporate divestiture to be succeeded to by, or causes its business to be transferred to, another company that is to acquire or has already acquired the JGB OTC Transaction Clearing Qualification simultaneously with its renunciation of JGB OTC Transaction Clearing Qualification, such Clearing Participant renounces its JGB OTC Transaction Clearing Qualification at the time designated by JSCC on a case-by-case basis.

(Article 25 Application of Business Rules After Renunciation of JGB OTC Transaction Clearing Qualification)

When the JGB OTC Transaction Clearing Qualification of a Clearing Participant is renounced, if there are claims and obligations which have generated based on any cause that has occurred before such renunciation, the provisions of these Business Rules, Etc. shall apply to such claims and obligations.

(Article 26 Refund of Initial Margin and JGB OTC Transaction Clearing Fund upon Renunciation of JGB OTC Transaction Clearing Qualification)

When the JGB OTC Transaction Clearing Qualification of a Clearing Participant is renounced (including renunciation due to a revocation of JGB OTC Transaction Clearing Qualification; the same applies hereinafter in this Article and the following

Article), JSCC shall refund the Initial Margin and JGB OTC Transaction Clearing Fund on or after the date of the renunciation; provided, however, that if there remains Outstanding Obligations of the Clearing Participant which renounced its JGB OTC Transaction Clearing Qualification, or if JSCC otherwise deems it necessary, JSCC may suspend the refund of the Initial Margin and JGB OTC Transaction Clearing Fund until such reason ceases to exist.

(Article 27 Satisfaction of Obligations upon Renunciation of JGB OTC Transaction Clearing Qualification)

The entity which has renounced the JGB OTC Transaction Clearing Qualification shall apply the Money and securities to be refunded from JSCC toward the satisfaction of all of its obligations owed to JSCC as a Clearing Participant.

#### Section 4 Measures to be Taken with respect to Clearing Participants

(Article 28 Measures to be Taken When Clearing Participants Violate Business Rules, Etc.)

1. When JSCC deems that a Clearing Participant falls under any of the following Items, JSCC may conduct a hearing for the relevant Clearing Participant in advance and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which the relevant Clearing Participant is a party, or to rescind the JGB OTC Transaction Clearing Qualification of the relevant Clearing Participant. In such case, the revocation of the JGB OTC Transaction Clearing Qualification shall require a resolution adopted at a meeting of the board of directors:
  - (1) When the Clearing Participant fails to submit the notification set forth in Article 18 or the report set forth in Article 19, or submits any false notification/report;
  - (2) When the Clearing Participant refuses, interferes with or evades the inspection set forth in Article 20, or fails to submit the report/document or submits any false report/document pursuant to said Article;
  - (3) When its business execution structure is deemed to be flawed; or
  - (4) In addition to the events described in the preceding three (3) Items, when the Clearing Participant violates these Business Rules, Etc., or measures taken pursuant to those rules, or when the Clearing Participant damages the reputation of JSCC or other Clearing Participants and JSCC deems it necessary taking into

- account its operation of the JGB OTC Transaction Clearing Business.
2. When a Clearing Participant falls under any of the following Items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party and/or any other measures that are deemed necessary and appropriate by JSCC, presenting the reason therefor:
- (1) When the Clearing Participant refuses to comply with a request made pursuant to the provisions of Article 13 to change the cooperative or controlling relationship with a director, officer or other person;
  - (2) When a majority of the voting rights of all the shareholders or a majority of the voting rights relating to capital contributions has been held by the one who is or are deemed inappropriate taking into account JSCC's operation of the JGB OTC Transaction Clearing Business; or
  - (3) When a person holding the same or greater degree of control over the Clearing Participant as or than that held by a director or an executive officer, whether such person holds a title of consultant, advisor or otherwise, is deemed inappropriate taking into account JSCC's operation of the JGB OTC Transaction Clearing Business.
3. When a Clearing Participant falls under any of the following Items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party until the relevant condition ceases to exist:
- (1) When the amount of its stated capital or the total amount of capital contribution becomes less than three hundred million (300,000,000) yen and a swift recovery from such condition cannot be expected;
  - (2) When the amount of its net worth (*jun zaisan*) (in the case of an entity that is not a Financial Instruments Business Operator, the amount of its net assets (*jun shisan*)) becomes less than one billion (1,000,000,000) yen and a swift recovery from such condition cannot be expected;
  - (3) In the case of a Financial Instruments Business Operator, when the Capital-to-Risk Ratio becomes below one hundred and forty (140) percent and a swift recovery from such condition cannot be expected, and in the case of a Securities Finance Company or a Call Loan Dealer, when it falls under circumstances similar thereto;
  - (4) In the case of a Specified Financial Instruments Business Operator, when the

- Consolidated Capital-to-Risk Ratio becomes below one hundred and forty (140) percent and a swift recovery from such condition cannot be expected;
- (5) In the case of a financial institution subject to Uniform International Standards, when any one of the events set forth in A) to C) below occurs with respect to it (in the case of a foreign bank, any event equivalent thereto occurs and JSCC determines it necessary):
- A) Its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 4.5 percent and a swift recovery from such condition cannot be expected;
  - B) Its non-consolidated or consolidated Tier 1 ratio becomes less than 6 percent and a swift recovery from such condition cannot be expected; or
  - C) Its non-consolidated or consolidated Total Capital ratio becomes less than 8 percent and a swift recovery from such condition cannot be expected;
- (6) In the case of a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the domestic standards becomes below four (4) percent, and a swift recovery from such condition cannot be expected; or
- (7) In the case of an insurance company, when its non-consolidated or consolidated solvency margin ratio becomes below two hundred (200) percent and a swift recovery from such condition cannot be expected.
4. In the event that a Clearing Participant is a JGB OTC Transaction Agency Clearing Participant and falls under any of the following Items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations (limited to the obligations relating to the Brokerage for Clearing of Securities, Etc.) under the Transactions Subject to Clearing to which such Clearing Participant is a party until the relevant condition ceases to exist:
- (1) When the amount of its stated capital or the total amount of capital contribution becomes less than three hundred million (300,000,000) yen and a swift recovery from such condition cannot be expected;
  - (2) When the amount of its net worth (*jun zaisan*) (in the case of an entity that is not a Financial Instruments Business Operator, the amount of its net assets (*jun shisan*)) becomes less than twenty billion (20,000,000,000) yen and a swift recovery from such condition cannot be expected;
  - (3) In the case of a Financial Instruments Business Operator, when its Capital-to-Risk Ratio becomes below two hundred (200) percent and a swift recovery from such

- condition cannot be expected, and in the case of a Securities Finance Company or a Call Loan Dealer, when deemed necessary by JSCC under circumstances similar thereto;
- (4) In the case of a Specified Financial Instruments Business Operator, when its Consolidated Capital-to-Risk Ratio becomes below two hundred (200) percent and a swift recovery from such condition cannot be expected;
- (5) In the case of a financial institution subject to Uniform International Standards, when any one of the events set forth in A) to C) below occurs with respect to it (in the case of a foreign bank, when any event equivalent thereto occurs and JSCC determines it necessary)
- A) Its non-consolidated or consolidated Common Equity Tier 1 ratio becomes less than 4.5 percent and a swift recovery from such condition cannot be expected;
- B) Its non-consolidated or consolidated Tier 1 ratio becomes less than 6 percent and a swift recovery from such condition cannot be expected; or
- C) Its non-consolidated or consolidated Total Capital ratio becomes less than 8 percent and a swift recovery from such condition cannot be expected;
- (6) In the case of a Financial Institution subject to Japanese Standard, when its non-consolidated or consolidated capital adequacy ratio under the domestic standards becomes below four (4) percent, and a swift recovery from such condition cannot be expected; or
- (7) In the case of an insurance company, when its non-consolidated or consolidated solvency margin ratio becomes below four hundred (400) percent and a swift recovery from such condition cannot be expected.
5. When a Clearing Participant falls under any of the following items, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party (in the case of Item (1), excluding the transactions for which a Trust Account is to be used, and in the case of Item (2), limited to the transactions for which a Trust Account is to be used):
- (1) When the amount of net worth (*jun-zaisan*) (in the case of a Parent Company, Etc. that is not a Financial Instruments Business Operator, the amount of net assets (*jun-shisan*) or the amount equivalent thereto) of a Clearing Participant (in the case where for such Clearing Participant, a Guarantee by Parent Company, Etc. has been extended, the Parent Company, Etc. of such Clearing Participant (limited to

- Parent Company, Etc. which extends a Guarantee by Parent Company, Etc.) ) becomes less than the amount of Money prescribed by JSCC and a swift recovery from such condition cannot be expected; or
- (2) When the amount of balance of Japanese government bonds in the balance of trust assets delegated to a Clearing Participant which is the trustee of a trust multiplied by the value specified by JSCC becomes less than the amount of Money prescribed by JSCC and a swift recovery from such condition cannot be expected.
6. In the event that a Clearing Participant intends to carry out any of the actions as stipulated in Article 18, Paragraph 1, Items (1) to (5) (in the case of Item (4) of said Paragraph, limited to the succession of all of its business, and in the case of Item (5) of said Paragraph, limited to the transfer of all of its business), if it does not apply for renouncing the JGB OTC Transaction Clearing Qualification, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party.
7. In the event that a JGB OTC Transaction Agency Clearing Participant intends to discontinue the operations in respect of the Brokerage for Clearing of Securities, Etc., if it does not apply for renouncing the JGB OTC Transaction Clearing Qualification, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations (limited to those related to the Brokerage for Clearing of Securities, Etc.) under the Transactions Subject to Clearing to which such Clearing Participant is a party.
8. When the Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for a Clearing Participant falls under any of the Items in Paragraph 4, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party until the relevant condition ceases to exist.
9. In the event that the Parent Company, Etc. which extends a Guarantee by Parent Company, Etc. for a Clearing Participant intends to cancel its Guarantee by Parent Company, Etc. as stipulated in said Paragraph or to carry out any of the actions as stipulated in Article 18, Paragraph 1, Items (1), (3), (4) and (5) (in the case of Item (4) of said Paragraph, limited to the succession of all of its business, and in the case of Item (5) of said Paragraph, limited to the transfer of all of its business), if said Clearing Participant does not apply for renouncing the JGB OTC Transaction Clearing

Qualification, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party.

10. When the obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 was not netted out at a ratio of not less than the ratio as prescribed by JSCC in relation to a Clearing Participant which has obtained the JGB OTC Transaction Clearing Qualification through the application as stipulated in Article 6, Paragraph 3, JSCC may conduct a hearing for such Clearing Participant and take the measures to suspend assumption of all or part of the obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party.
11. JSCC shall, when a Clearing Participant is a Sponsoring Clearing Participant and does not perform the deposit set forth in Article 90-4, Paragraph 2, take measure to suspend a part of or all assumption of obligations based on Transactions Subject to Clearing for the said Clearing Participant, after conducting a hearing from the said Clearing Participant.

(Article 29 Measures against Clearing Participant for which JSCC has Suspended Assumption of Obligations Due to Failure to Apply for Renouncing JGB OTC Transaction Clearing Qualification upon Discontinuation of Business, Etc.)

1. In the event that JSCC has, pursuant to Paragraph 6 of the preceding Article, suspended assumption of the obligations under the Transactions Subject to Clearing to which a Clearing Participant is a party, JSCC may cause such Clearing Participant to make arrangements that JSCC deems necessary.
2. JSCC may, in order to make the arrangements set forth in the preceding Paragraph or otherwise to the extent that JSCC deems necessary, carry out assumption of the obligations under the Transactions Subject to Clearing to which the relevant Clearing Participant is a party.

(Article 29-2 Increasing in Required Initial Margin Amount for Clearing Participant based on Credit Standing)

When JSCC deems that a Clearing Participant falls under any of the following events according to the classification of the cases set forth in each of the following Items, JSCC may increase the Required Initial Margin Amount in respect of the Clearing Participant as prescribed by JSCC:

- (1) In the case where the Clearing Participant (excluding the Clearing Participant for which the Guarantee by Parent Company, Etc. has been extended pursuant to the provisions in Article 9-3) is granted JGB OTC Transaction Clearing Qualification by an application made pursuant to Article 6, Paragraph 1 or 3:
  - a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio (in the case of a Special Financial Instruments Business Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio; the same applies in this Article) falls below the level set by JSCC, and it falls on any of the cases designated by JSCC as the case where a Clearing Participant may not be sufficiently creditworthy (or where the Clearing Participant is a Securities Finance Company or a Call Loan Dealer, it falls under any similar situation);
  - b. In the case where the Clearing Participant is a Bank, when its non-consolidated or consolidated capital adequacy ratio fall below the level set by JSCC, and it falls on any of the cases designated by JSCC as the case where a Clearing Participant may not be sufficiently creditworthy;
  - c. In the case where the Clearing Participant is an insurance company, when its non-consolidated or consolidated solvency margin ratio falls below the level set by JSCC, and it falls on any of the cases designated by JSCC as the case where a Clearing Participant may not be sufficiently creditworthy; and
  - d. In the case where the Clearing Participant falls on any of the cases designated by JSCC as the case where a Clearing Participant is not sufficiently creditworthy.
- (2) In the case where the Clearing Participant for which a Guarantee by Parent Company, Etc. by its Parent Company, Etc has been extended.:
  - a. In the case where the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio falls below the level set by JSCC, and its Parent Company falls on any of the cases designated by JSCC as the case where such Parent Company may not be sufficiently creditworthy (or where the Clearing Participant is a Securities Finance Company or a Call Loan Dealer, it falls under any similar situation);
  - b. In the case where the Clearing Participant is a Bank, when its non-consolidated or consolidated capital adequacy ratio fall below the level set by JSCC, and its Parent Company falls on any of the cases designated by JSCC as the case

where such Parent Company may not be sufficiently creditworthy;

- c. In the case where the Clearing Participant is an insurance company, when its non-consolidated or consolidated solvency margin ratio falls below the level set by JSCC, and the Parent Company of the Clearing Participant falls on any of the cases designated by JSCC as the case where such Parent Company, Etc. may not be sufficiently creditworthy; and
- d. In the case where the Parent Company, Etc. of the Clearing Participant falls on any of the cases designated by JSCC as the case where the Parent Company, Etc. is not sufficiently creditworthy.

(Article 29-3 Measures Against Sponsored Participant to Instruct Improvement of the Position)

JSCC shall, when a Clearing Participant is a Sponsoring Clearing Participant and if the said Clearing Participant does not perform the deposit set forth Article 90-4, Paragraph 2, take measures to give an instruction to improve the position based on Transactions Subject to Clearing for the said Clearing Participant, after conducting a hearing from the said Clearing Participant.

(Article 30 Lifting of the Measures such as Suspension of Assumption of Obligations)

1. In the event that JSCC has suspended assumption of obligations (excluding the suspension of assumption of obligations made only in respect of the obligations pertaining to the Brokerage for Clearing of Securities, Etc.) pursuant to the provisions of Article 28 without specifying its duration, the Clearing Participant subject to such suspension, when it has eliminated the reason for such suspension, may file a petition together with explanatory documents for the lifting of such suspension.
2. When JSCC deems it appropriate to lift the suspension based on the petition set forth in the preceding Paragraph, JSCC shall approve such petition.
3. In the event that the Clearing Participant subject to the suspension set forth in Paragraph 1 fails to obtain the approval set forth in the preceding Paragraph within one (1) year from the day on which the suspension referred to in said Paragraph was commenced, JSCC may rescind the JGB OTC Transaction Clearing Qualification of such Clearing Participant by a resolution adopted at the meeting of the board of directors.
4. The provisions of the preceding three (3) Paragraphs shall apply *mutatis mutandis* to the

case where JSCC has suspended assumption of obligations (limited to the suspension of assumption of obligations made only in respect of the obligations pertaining to the Brokerage for Clearing of Securities, Etc.) pursuant to the provisions of Article 28 without specifying its duration. In such case, the term “may rescind the JGB OTC Transaction Clearing Qualification of” in the preceding Paragraph shall be deemed to be replaced with “may rescind the JGB OTC Transaction Agency Clearing Qualification of and grant the JGB OTC Transaction Principal Clearing Qualification to.”

(Article 31 Making Petition, Etc.)

The proviso to Paragraph 1 of Article 13 and Paragraph 2 of said Article shall apply *mutatis mutandis* to the hearing set forth in Article 28 and Article 29-3 and Paragraphs 3 to 5 of Article 13 shall apply *mutatis mutandis* to the measures set forth in Article 28 and Article 29-3, respectively.

(Article 32 Measures against Clearing Participant Having Ceased to be a Financial Instruments Business Operator)

A Clearing Participant shall forfeit its JGB OTC Transaction Clearing Qualification when any of the following events occurs to it:

- (1) When it ceases to fall under any of the Items in Article 6, Paragraph 1; or
- (2) When it is dissolved.

(Article 33 The Disciplinary Measures Assessment Committee)

1. When JSCC intends to take any of the measures set forth in Article 28 or Article 29-3 with respect to a Clearing Participant, JSCC shall consult with the Disciplinary Measures Assessment Committee in advance about the appropriateness of taking the relevant measure and respect the opinion of the Committee.
2. Notwithstanding the provisions of the preceding Paragraph, when there is an urgent need therefor, JSCC shall be permitted to take such measure without consulting with the Disciplinary Measures Assessment Committee.
3. In addition to the provisions prescribed in the preceding two Paragraphs, matters concerning the Disciplinary Measures Assessment Committee shall be prescribed by JSCC in the Subordinate Rules.

(Article 34 Notice of Measures, Etc.)

1. When JSCC is to suspend assumption of all or part of obligations, or to rescind JGB OTC Transaction Clearing Qualification pursuant to these Business Rules, JSCC shall notify the relevant Clearing Participant to that effect in advance.
2. The provisions of the preceding Paragraph shall apply *mutatis mutandis* to the case where a Clearing Participant has forfeited the JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Article. In such case, the term “in advance” in said Paragraph shall be deemed to be replaced with “immediately.”
3. When JSCC has suspended assumption of all or part of the obligations pursuant to these Business Rules, or rescinded JGB OTC Transaction Clearing Qualification of a Clearing Participant; or when a Clearing Participant has forfeited the JGB OTC Transaction Clearing Qualification pursuant to the provisions of the preceding Article, JSCC shall notify each Clearing Participant to that effect.

(Article 35 Handling of Unsettled Transactions for Clearing belonging to Entities whose JGB OTC Transaction Clearing Qualification have been Rescinded, Etc.)

1. When JSCC has rescinded the JGB OTC Transaction Clearing Qualification pursuant to these Business Rules, or when a Clearing Participant has forfeited its JGB OTC Transaction Clearing Qualification pursuant to the provisions of Article 32, JSCC may cause the relevant Clearing Participant to make arrangements that JSCC deems necessary.
2. The relevant former Clearing Participant set forth in the preceding Paragraph shall continue to be deemed as a Clearing Participant for the purpose of performing Outstanding Obligations belonging to such former Clearing Participant or of making arrangements, or otherwise to the extent JSCC deems necessary.

(Article 36 Recommendations to Clearing Participants)

1. When JSCC determines that the operational or financial condition of a Clearing Participant is not appropriate taking into account JSCC's operations of the JGB OTC Transaction Clearing Business, JSCC may recommend the relevant Clearing Participant to take appropriate measures.
2. In the event that JSCC has made the recommendations set forth in the preceding Paragraph and deems it is necessary to do so, JSCC may request the relevant Clearing Participant to submit a report with respect to its responsive measures taken.

## Chapter 3 Brokerage for Clearing of Securities, Etc.

## (Article 37 Transactions Eligible for Brokerage for Clearing of Securities, Etc.)

The transactions which can be the subject of the Brokerage for Clearing of Securities, Etc. to be executed by a JGB OTC Transaction Agency Clearing Participant are the transactions set forth in Article 4, Paragraph 2, Item (5).

## (Article 38 Matters to be Specified at the Time of Commission)

A Clearing Participant shall, when accepting a commission of the Brokerage for Clearing of Securities, Etc. as stipulated in the preceding Article, confirm with the relevant customer in advance that the matters listed in each of the following Items have been specified for each subject transaction:

- (1) The Clearing Participant which is a counterparty to the subject transaction;
- (2) Whether the transaction that is the basis of the subject transaction is a Buying and Selling of the Japanese government bonds, a Cash-secured Bond Lending or Borrowing Transaction, a Standard Repo Transaction or a Subsequent Collateral Allocation Repo Transaction, Etc.;
- (3) Whether the Japanese government bonds are to be received or delivered;
- (4) The issue and quantity of the Japanese government bonds (For a Subsequent Collateral Allocation Repo Transaction, Etc., the Basket);
- (5) The amount of Money involved in the subject transaction; and
- (6) The day on which the Japanese government bonds are delivered/received and Money is paid/received.

## (Article 39 Segregation of Transactions Subject to Clearing)

1. A JGB OTC Transaction Agency Clearing Participant shall manage the Transactions Subject to Clearing, segregating those pursuant to the Brokerage for Clearing of Securities, Etc. from those that are not.
2. A JGB OTC Transaction Agency Clearing Participant shall manage the Transactions Subject to Clearing pursuant to the Brokerage for Clearing of Securities, Etc. by opening a Netting Account for each customer and separately by each Netting Account.

## (Article 39-2 Reporting of Matters Concerning Brokerage for Clearing of Securities, Etc.)

JSCC may request that a JGB OTC Transaction Agency Clearing Participant report to JSCC names of its customers and other matters which JSCC considers necessary for risk management purpose in relation to the transactions based on the Brokerage for Clearing of Securities, Etc.

(Article 39-3 Application of Transfer of Customer Position)

- 1 A customer who commissions Brokerage for Clearing of Securities, Etc. to a JGB OTC Transaction Agency Clearing Participant, may Transfer the Customer Position related to the relevant customer to another JGB OTC Transaction Agency Clearing Participant, in a manner prescribed by JSCC.
- 2 The Transfer stipulated in the preceding Paragraph shall be conducted for each Netting Account.
- 3 A customer shall, when the Transfer is conducted as stipulated in Paragraph 1, notify JSCC of the Netting Account which can be designated as the Receiving Account in advance through the JGB OTC Transaction Agency Clearing Participant.
- 4 A customer shall, when it conducts the Transfer as stipulated in Paragraph 1, submit an application of the relevant Transfer to the Receiving Clearing Participant.
- 5 A Receiving Clearing Participant shall, when it approves an application for the Transfer from the said customer, submit an application of the Transfer to JSCC by noon on the desired date for the relevant Transfer.
- 6 A customer shall, notify the Transferring Clearing Participant of its intention of the relevant Transfer, when it obtains an approval as stipulated in Paragraph 4.

(Article 39-4 Completion of Transfer of Customer Position)

- 1 JSCC shall, when it receives an application of Transfer and approves the details of the relevant application and other items prescribed by JSCC as appropriate, approve the relevant application by 2:00 P.M. on the relevant day on which it desires the relevant Transfer.
- 2 When JSCC makes an approval as stipulated in the preceding Paragraph, it shall conduct the Transfer the relevant Customer Position to a Receiving Clearing Participant at the timing after 5:00 P.M. specified by JSCC on the day it desires the relevant Transfer and the relevant Transfer shall be deemed completed at such timing.
- 3 When the Transfer of the Customer Position has completed pursuant to the provisions of the preceding Paragraph, among the Money and the Substituting Japanese Government Bonds related to the relevant Customer Position prescribed in each of the following Items,

those deposited with JSCC with the Transferring Clearing Participant acting as an agent shall be deemed as deposited with JSCC with the Receiving Clearing Participant acting as an agent.

(1) Initial Margin

(2) JGB OTC Transaction Clearing Fund.

(3) Variation Margin.

(4) Default Contingent Margin

(5) Special Clearing Charge Collateral

4 When the Transfer of the Customer Position has completed pursuant to the provisions of Paragraph 2, the Transferring Account related to the relevant Transfer shall be terminated on the day when the relevant Transfer has completed..

5 When the Customer Position Transfer has completed pursuant to the provisions of Paragraph 2, the Receiving Account related to the relevant Transfer shall be opened on the day when the relevant Transfer has completed.

#### Chapter 4 Assumption of Obligations

(Article 40 Application for Assumption of Obligations)

1. A Clearing Participant shall, when it requests JSCC to assume the obligations under the Transactions Subject to Clearing to which it is a party, submit an application for assumption of the obligations to JSCC for each Transaction Subject to Clearing in accordance with the method prescribed by JSCC.
2. The application to JSCC as stipulated in the preceding Paragraph shall be made to JSCC jointly by the parties to the relevant transaction, for each type of transactions as stipulated in each of the following Items, stating the matters as stipulated in each Item:
  - (1) Buying and Selling, Etc. of Japanese Government Bonds
    - A) The names of the Selling Clearing Participant and the Buying Clearing Participant;
    - B) The Netting Account of the Selling Clearing Participant and the Buying Clearing Participant;
    - C) The contract day;
    - D) The issue and quantity of the Japanese government bonds;
    - E) The amount of Money to be paid/received on the Buying/Selling Settlement Day;

- F) The Buying/Selling Settlement Day; and
  - G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
- (2) Cash-secured Bond Lending Transaction, Etc.
- A) The names of the Lending Clearing Participant and the Borrowing Clearing Participant;
  - B) The Netting Account of the Lending Clearing Participant and the Borrowing Clearing Participant;
  - C) The contract day;
  - D) The issue and quantity of the Japanese government bonds;
  - E) The amount of Money to be paid/received on the Transaction Execution Day and the amount of Money to be paid/received on the Transaction Settlement Day;
  - F) The Transaction Execution Day and the Transaction Settlement Day; and
  - G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
- (3) Standard Repo Transaction Etc.
- A) The names of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant;
  - B) The Netting Account of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant;
  - C) The contract day;
  - D) The issue and quantity of the Japanese government bonds;
  - E) The Starting Delivery Amount and the Ending Delivery Amount;
  - F) The Starting Transaction Delivery Day and the Ending Transaction Delivery Day; and
  - G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
- (4) Subsequent Collateral Allocation Repo Transaction, Etc.
- A) The names of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant;
  - B) The Netting Account of the Repo Selling Clearing Participant and the Repo Buying Clearing Participant (When the Netting Account of the Repo Selling Clearing Participant or the Netting Account of the Repo Buying Clearing Participant is a Trust Account, the Netting Account and the matters classifying

- unit of netting) ;
- C) The contract day;
  - D) The Basket;
  - E) The Starting Delivery Amount and the Ending Delivery Amount;
  - F) The Starting Transaction Delivery Day and the Ending Transaction Delivery Day;
- and
- G) If the relevant transaction is resulting from the Brokerage for Clearing of Securities, Etc., to that effect.
3. A Clearing Participant shall, when it requests JSCC to assume obligations under the Transactions Subject to Clearing, submit an application within the period as prescribed in each of the following Items and based on the classification referenced in each Item; provided, however, that if JSCC deems it impossible or difficult to submit an application for assumption of obligations due to a failure of the system installed in JSCC or other institutions which is needed to submit the application or some other unavoidable reasons, JSCC may change this period. In such case, JSCC shall notify Clearing Participants thereof in advance.
- (1) Individual Issue Transaction: From 6:30 P.M. of the immediately preceding day of the day on which obligations are to be assumed to 6:30 P.M. of the day on which assumption of obligations is to be executed;
  - (2) Subsequent Collateral Allocation Repo Transaction, Etc., for which Starting Transaction Delivery Day arrives on the immediately following day of the contract day: From 2:00 P.M. of the immediately preceding day of the day on which assumption of obligations is to be executed to 2:00 P.M. of the day on which assumption of obligations is to be executed; and
  - (3) Subsequent Collateral Allocation Repo Transaction, Etc., for which Starting Transaction Delivery Day is the contract day: From 7:00A.M. to 2:00 P.M. of the day on which assumption of obligations is to be executed.
4. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may submit an application as stipulated in Paragraph 1 through its agent.
5. If the Repo Selling Clearing Participant and the Repo Buying Clearing Participant submit an application related to the Subsequent Collateral Allocation Repo Transaction, Etc. (excluding those for which Ending Transaction Delivery Day arrives on the immediately

following day of Starting Transaction Delivery Day) as stipulated in Paragraph 1, the Clearing Participant shall be deemed to agree that the Unwind Monetary Payment Obligation, the Unwind JGB Delivery Obligation (Basket), the Rewind Monetary Payment Obligation and the Rewind JGB Delivery Obligation (Basket) between the Repo Selling Clearing Participant and the Repo Buying Clearing Participant. Those obligations shall arise at the time (if this time for the application is changed pursuant to proviso to said Paragraph, such changed time) specified for each type of transaction as prescribed in Article 44, Paragraph 2, Items (2) to (4) and based on the classification referenced therein.

(Article 41 Application for Assumption of Obligations Related to Substitution)

1. Notwithstanding the provisions of the preceding Article, a Clearing Participant shall submit an application for assumption of obligations to JSCC by the method prescribed by JSCC when it requests JSCC to assume the obligations related to Substitution for the Standard Repo Transactions, Etc.
2. An application for assumption of obligations related to Substitution as stipulated in the preceding Paragraph shall be submitted to JSCC jointly by the parties to the relevant Substitution stating the matters as stipulated in each of the following Items:
  - (1) The Original Repo Transaction, Etc.;
  - (2) The amount of Money to be paid/received on the Substitution Execution Day;
  - (3) The Substitution Execution Day; and
  - (4) The issue and quantity of the Japanese government bonds related to the Repo Transaction, Etc., After Issue Change.
3. The provisions of Paragraphs 3 and 4 of the preceding Article shall apply *mutatis mutandis* to an application for assumption of obligations as stipulated in Paragraph 1.

(Article 42 Application for Assumption of Obligations With Specific Settlement Day, Etc. as a Condition)

1. Notwithstanding the provisions of preceding two (2) Articles, a Clearing Participant may, by the method prescribed by JSCC for a specified period, apply to JSCC for assumption only of such obligations that are to be settled on or after a specified day (hereinafter referred to as the "Obligation Assumption Base Date") for the Transactions Subject to Clearing (excluding Subsequent Collateral Allocation Repo Transaction, Etc.) specified in advance.

2. When a Clearing Participant intends to apply for assumption of obligations as stipulated in the preceding Paragraph, it shall notify the matters as stipulated in each of the following Items in advance in accordance with the relevant rules of JSCC. In such case, the period during which a Clearing Participant may apply for assumption of obligations as stipulated in the preceding Paragraph shall commence at 6:30 P.M. on the day immediately preceding the starting day of the period for application for assumption of obligations as stipulated in Item (3) (if this period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40, within such changed period) to 6:30 P.M. on the day immediately preceding the Obligation Assumption Base Date as stipulated in Item (2) (if this period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40, within such changed period):
  - (1) Matters by which the Transactions Subject to Clearing can be identified as those related to an application for assumption of obligations as stipulated in the preceding Paragraph;
  - (2) Obligation Assumption Base Date; and
  - (3) The starting day of the period for application for assumption of obligations (the starting day of the period during which a Clearing Participant may request JSCC to assume obligations by submitting an application as stipulated in the preceding Paragraph. The same shall apply hereinafter).
3. An application for assumption of obligations as stipulated in Paragraph 1 (excluding an application for assumption of obligations related to Substitution) shall be submitted to JSCC jointly by the parties to the relevant transaction stating, in addition to the matters as stipulated in Article 40, Paragraph 2, Items (1) to (3), the matters by which the Transactions Subject to Clearing can be identified as notified pursuant to the provisions of the preceding Paragraph.
4. An application for assumption of obligations as stipulated in Paragraph 1 (limited to an application for assumption of obligations related to Substitution) shall be submitted to JSCC jointly by the parties to the relevant transaction stating, in addition to the matters as stipulated in each Item of Paragraph 2 of the preceding Article, the matters by which the Transactions Subject to Clearing can be identified as notified pursuant to the provisions of Paragraph 2.
5. In the event that an application for assumption of obligations as stipulated in Paragraph 1 is submitted by a Clearing Participant, the notice as stipulated in Paragraph 2 for the Transactions Subject to Clearing related to such application shall be deemed to have

been made by the Clearing Participant which is a counterparty to such Transactions Subject to Clearing; provided, however, that if the notice as stipulated in Paragraph 2 in relation to such Transactions Subject to Clearing has been separately submitted by such Clearing Participant which is the counterparty, the days as stipulated in Items (2) and (3) of said Paragraph to be stated in the notice shall be deemed to be such days that arrive later.

6. The provisions of Paragraphs 3 and 4 of Article 40 shall apply *mutatis mutandis* to an application for assumption of obligations as stipulated in Paragraph 1.

(Article 43 Rescission of Application for Assumption of Obligations)

1. When a Clearing Participant intends to rescind its application for assumption of obligations as stipulated in Article 40, Paragraph 1, Article 41, Paragraph 1 and Article 42, Paragraph 1, it shall do so by the method to deliver prescribed by JSCC.
2. JSCC shall accept rescission of an application for assumption of obligations as stipulated in the preceding Paragraph only when such rescission is requested prior to executing assumption of obligations under the Transactions Subject to Clearing related to such application pursuant to the provisions of the following Article and Article 45.
3. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may request rescission as stipulated in Paragraph 1 through its agent.

(Article 44 Assumption of Obligations)

1. Assumption of obligations by JSCC as the JGB OTC Transaction Clearing Business upon application for assumption of obligations as stipulated in Article 40, Paragraph 1 and Article 41, Paragraph 1 shall be executed as prescribed in each of the following Items and based on the classification referenced in each:

(1) Buying and Selling, Etc. of Japanese Government Bonds

When an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to a Buying and Selling, Etc. of Japanese Government Bonds is submitted by 6:30 P.M. of the day immediately preceding the Buying/Selling Settlement Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period), JSCC shall, in respect of such Buying and Selling, Etc. of Japanese Government Bonds and based on the contents of such application, assume the

Selling Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds on the Buying/Selling Settlement Day) owed to the Buying Clearing Participant which is the Selling Clearing Participant's counterparty in such a manner to discharge the relevant Selling Clearing Participant from the relevant obligation, and simultaneously such Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Buying Clearing Participant's obligations (referring to the obligation to pay the amount of Money to be paid/received on the Buying/Selling Settlement Day) owed to the Selling Clearing Participant which is the Buying Clearing Participant's counterparty in such a manner to discharge the relevant Buying Clearing Participant from the relevant obligations, and simultaneously such Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(2) Cash-secured Bond Lending Transaction, Etc.

A) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Cash-secured Bond Lending Transaction, Etc. is submitted by 6:30 P.M. of the day immediately preceding the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period): JSCC shall, in respect of such Cash-secured Bond Lending Transaction, Etc. and based on the contents of such application, assume the Lending Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds on the Transaction Execution Day and the obligation to pay the amount of Money to be paid/received on the Transaction Settlement Day) owed to the Borrowing Clearing Participant which is the Lending Clearing Participant's counterparty in such a manner to discharge the relevant Lending Clearing Participant from the relevant obligation, and simultaneously such Lending Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Borrowing Clearing Participant's obligations (referring to the obligation to pay the amount of Money to be paid/received on the Transaction Execution Day, the obligation to deliver the Japanese government bonds on the Transaction Settlement Day, and Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc.") owed to the Lending

Clearing Participant which is the Borrowing Clearing Participant's counterparty in such a manner to discharge the relevant Borrowing Clearing Participant from the relevant obligations, and simultaneously such Borrowing Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

- B) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Cash-secured Bond Lending Transaction, Etc. is submitted between 6:30 P.M. of the day immediately preceding the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period) and 6:30 P.M. of the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to said Paragraph, within such changed period):

JSCC shall, in respect of such Cash-secured Bond Lending Transaction, Etc. and based on the contents of such application, assume the Lending Clearing Participant's obligations (referring to the obligation to pay the amount of Money to be paid/received on the Transaction Settlement Day) owed to the Borrowing Clearing Participant which is the Lending Clearing Participant's counterparty in such a manner to discharge the relevant Lending Clearing Participant from the relevant obligations, and simultaneously such Lending Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Borrowing Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc. on the Transaction Settlement Day) owed to the Lending Clearing Participant which is the Borrowing Clearing Participant's counterparty in such a manner to discharge the relevant Borrowing Clearing Participant from the relevant obligations, and simultaneously such Borrowing Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(3) Standard Repo Transaction, Etc.

- A) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Standard Repo Transaction, Etc. is submitted by 6:30 P.M. of the day immediately preceding the Starting Transaction Delivery Day (if

the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, before such changed period):

JSCC shall, in respect of such Standard Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds on the Starting Transaction Delivery Day and the Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the Starting Monetary Payment Obligation, the obligation to deliver the Japanese government bonds on the Ending Transaction Delivery Day, and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc.) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

B) Where an application for assumption of obligations as stipulated in Article 40, Paragraph 1 in relation to Standard Repo Transaction, Etc. is submitted between 6:30 P.M. of the day immediately preceding the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of said Article, within such changed period) and 6:30 P.M. of the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to said Paragraph, within such changed period):

JSCC shall, in respect of such Standard Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling

Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. on the Ending Transaction Delivery Day) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

- C) Where an application for assumption of obligations as stipulated in Article 41, Paragraph 1 in relation to Substitution related to Standard Repo Transaction, Etc. is submitted by 6:30 P.M. of the day immediately preceding the Substitution Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40 which is applied *mutatis mutandis* pursuant to Paragraph 3 of said Article, within such changed period): JSCC shall, in respect of such Substitution and based on the contents of such application, assume the obligations of the Repo Selling Clearing Participant related to the Original Repo Transaction, Etc. (referring to the obligation as stipulated in Article 2, Item (38), A),(a), the obligation as stipulated in A),(d) of said Item, the obligation as stipulated in A),(e) of said Item, the obligation to deliver the Japanese government bonds related to the Repo Transaction, Etc. After Issue Change on the Substitution Execution Day and Monetary Payment Obligation with respect to the Repo Transaction, Etc. After Issue Change) owed to the Repo Buying Clearing Participant related to the Original Repo Transaction, Etc. which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the obligation of the Repo Buying Clearing Participant related to the Original Repo Transaction, Etc. (referring to the obligation as stipulated in Article 2, Item (38), A)(b), the obligation as stipulated in A) (c) of said Item, the obligation to pay the amount of Money to be paid/received for the Repo Transaction, Etc. After Issue Change on the

Substitution Execution Day, the obligation to deliver the Japanese government bonds related to the Repo Transaction, Etc. After Issue Change on the Ending Transaction Delivery Day with respect to the Repo Transaction, Etc. After Issue Change and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. in relation to the Repo Transaction, Etc. After Issue Change) owed to the Repo Selling Clearing Participant related to the Original Repo Transaction, Etc. which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(4) Subsequent Collateral Allocation Repo Transaction, Etc.

JSCC shall, in respect of such Subsequent Collateral Allocation Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to the Starting JGB Delivery Obligation (Basket), the Unwind Monetary Payment Obligation, the Rewind JGB Delivery Obligation (Basket) and the Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the Starting Monetary Payment Obligation, the Unwind JGB Delivery Obligation (Basket), the Rewind Monetary Payment Obligation, the Ending JGB Delivery Obligation (Basket) and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc.) owed to the Repo Selling Clearing Participant which is the Repo Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

2. For an application for assumption of obligations shall be executed at the time as prescribed in each of the following Items and based on the classification referenced in each Items; provided, however, that if JSCC deems it impossible or difficult to submit an

application for assumption of obligations due to a failure of the system installed by JSCC or other institutions which is needed to execute assumption of obligations or some other unavoidable reasons, JSCC may change this time. In such case, JSCC shall notify Clearing Participants thereof in advance.

- (1) Individual Issue Transaction: 6:30 P.M. of the day on which assumption of obligations is executed;
  - (2) Subsequent Collateral Allocation Repo Transaction, Etc., for which an application for assumption of obligations is submitted between 2:00 P.M. and 9:00 P.M.: 7:00 A.M. of the immediately following day on which an application for assumption of obligations is submitted;
  - (3) Subsequent Collateral Allocation Repo Transaction, Etc., for which an application for assumption of obligations is submitted between 7:00 A.M. and 11:00 A.M.: 11:00 A.M. of the day on which an application for assumption of obligations is submitted; and
  - (4) Subsequent Collateral Allocation Repo Transaction, Etc., for which an application for assumption of obligations is submitted between 11:00 A.M. and 2:00 P.M.: 2:00 P.M. of the day on which an application for assumption of obligations is submitted.
3. JSCC shall notify the relevant Clearing Participant of the necessary matters with regard to the contents and performance of the obligations JSCC assumed pursuant to the provisions of Paragraph 1.
  4. In the event that a Clearing Participant submitted an application for assumption of obligations to JSCC through its agent pursuant to the provisions of Article 40, Paragraph 4 (including the case where it is applied *mutatis mutandis* pursuant to Article 41, Paragraph 3), JSCC shall provide notice to be given to the Clearing Participant as stipulated in the preceding Paragraph through such agent.
  5. When the Clearing Participant has received the notice set forth in the preceding two (2) paragraphs, it shall immediately affirm its contents.
  6. When assumption of obligations for the Transactions Subject to Clearing has been executed pursuant to the provisions of Paragraph 1, the relevant Clearing Participant may not assert nullity, rescission, cancellation or any other defense in relation to the relevant Transactions Subject to Clearing and the assumption of obligations related thereto.

(Article 45 Assumption of Obligations With Specific Settlement Day, Etc. as a Condition)

1. Assumption of Obligations by JSCC as the JGB OTC Transaction Clearing Business upon application for assumption of obligations as stipulated in Article 42, Paragraph 1 shall be executed as prescribed in each of the following Items and based on the classification referenced in each:

(1) Buying and Selling, Etc. of Japanese Government Bonds

In the event that the Buying/Selling Settlement Day arrives on or after the Obligation Assumption Base Date, assumption of obligations by JSCC shall be executed pursuant to the provisions of Paragraph 1, Item (1) of the preceding Article.

(2) Cash-secured Bond Lending Transaction, Etc.

A) When the Transaction Execution Day for the Cash-secured Bond Lending Transaction, Etc. arrives on or after the Obligation Assumption Base Date Assumption of obligations by JSCC shall be executed pursuant to the provisions of Paragraph 1, Item (2) of the preceding Article.

B) When the Transaction Execution Day for the Cash-secured Bond Lending Transaction, Etc., arrives by the day immediately preceding the Obligation Assumption Base Date and the Transaction Settlement Day arrives on or after the Obligation Assumption Base Date, and an application for assumption of obligations as stipulated in Article 42, Paragraph 1 is submitted by 6:30 P.M. of the Transaction Execution Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40 which is applied *mutatis mutandis* pursuant to Article 42, Paragraph 6, before such changed period)

JSCC shall, in respect of such Cash-secured Bond Lending Transaction, Etc. and based on the contents of such application, assume the Lending Clearing Participant's obligations (referring to the obligation to pay the amount of Cash to be paid/received on the Transaction Settlement Day) owed to the Borrowing Clearing Participant which is the Lending Clearing Participant's counterparty in such a manner to discharge the relevant Lending Clearing Participant from the relevant obligations, and simultaneously such Lending Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Borrowing Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest

Related to Cash-secured Bond Lending Transaction, Etc. on the Transaction Settlement Day) owed to the Lending Clearing Participant which is the Borrowing Clearing Participant's counterparty in such a manner to discharge the relevant Borrowing Clearing Participant from the relevant obligations, and simultaneously such Borrowing Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

(3) Standard Repo Transaction, Etc.

A) When the Starting Transaction Delivery Day for the Standard Repo Transaction, Etc. and the Substitution Execution Day for the Substitution related to the Standard Repo Transaction, Etc. arrive on or after the Obligation Assumption Base Date

Assumption of obligations by JSCC shall be executed pursuant to the provisions of Paragraph 1, Item (3) of the preceding Article.

B) When, with regard to the Standard Repo Transaction, Etc., the Starting Transaction Delivery Day arrives by the day immediately preceding the Obligation Assumption Base Date and the Ending Transaction Delivery Day arrives on or after the Obligation Assumption Base Date, and an application for assumption of obligations as stipulated in Article 42, Paragraph 1 is submitted by 6:30 P.M. of the Starting Transaction Delivery Day (if the period for the application is changed pursuant to the provisions of proviso to Paragraph 3 of Article 40 which is applied *mutatis mutandis* pursuant to Article 42, Paragraph 6, before such changed period)

JSCC shall, in respect of such Standard Repo Transaction, Etc. and based on the contents of such application, assume the Repo Selling Clearing Participant's obligations (referring to the Ending Monetary Payment Obligation) owed to the Repo Buying Clearing Participant which is the Repo Selling Clearing Participant's counterparty in such a manner to discharge the relevant Repo Selling Clearing Participant from the relevant obligations, and simultaneously such Repo Selling Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC; at the same time, JSCC shall assume the Repo Buying Clearing Participant's obligations (referring to the obligation to deliver the Japanese government bonds and the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. on the Ending Transaction Delivery Day) owed to the Repo Selling Clearing Participant which is the Repo

Buying Clearing Participant's counterparty in such a manner to discharge the relevant Repo Buying Clearing Participant from the relevant obligations, and simultaneously such Repo Buying Clearing Participant shall newly incur the obligations owed to JSCC which are equivalent to those assumed by JSCC.

2. The provisions of Paragraphs 2 to 6 of the preceding Article shall apply *mutatis mutandis* to the assumption of obligations as stipulated in Paragraph 1.

## Chapter 5 Settlement of Transactions Subject to Clearing

### Section 1 Settlement of Individual Issue Transaction

(Article 46 Netting of Japanese Government Bonds Related to Individual Issue Transaction)  
JSCC shall, for each Clearing Participant, with respect to the obligations to deliver Japanese government bonds, owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Items (1) to (3) and Paragraph 1 of the preceding Article, whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the quantity of such obligations by netting the quantity of the obligations of which issue and Settlement Day, Etc. are the same. In such case, the quantity of the obligations offset through the netting calculation shall be automatically deemed to have been delivered, and the remaining quantity shall be replaced with a single obligation to deliver securities (hereinafter referred to as the "Securities Settlement Obligation Related to Individual Issue Transaction") for the balance between the relevant Clearing Participant and JSCC.

(Article 46-2 Netting of Money Related to Individual Issue Transaction)  
JSCC shall, for each Clearing Participant, with respect to the obligations to pay Money (excluding the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc. and limited to those related to Individual Issue Transaction for Japanese government bonds of the same issue) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (1) through Item (3) and Paragraph 1 of the preceding Article, whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which Settlement Days, Etc. are the same. In such

case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid and the remaining amount shall be replaced with a single obligation to pay Money (hereinafter referred to as the “Monetary Settlement Obligation Related to Individual Issue Transaction”) for the balance between the relevant Clearing Participant and JSCC.

(Article 46-3 Netting of Amount Equal To Interest Related to Individual Issue Transaction)  
JSCC shall, for each Clearing Participant, with respect to the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc. owed by JSCC or a Clearing Participant, pursuant to the provisions of Article 44, Paragraph 1, Items (2) and (3) and Article 45, Paragraph 1, whenever JSCC or a relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which payment days are the same. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid, and the remaining amount shall be replaced with a single obligation to pay Money (hereinafter referred to as the “Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction”) for the balance between the relevant Clearing Participant and JSCC.

(Article 47 Method of Performance of the Monetary Settlement Obligation Related to Individual Issue Transaction)

1. The Monetary Settlement Obligation Related to Individual Issue Transaction between a Clearing Participant and JSCC shall be performed by paying/receiving Money for the market value of the Security Settlement Obligation Related to Individual Issue Transaction as stipulated in the following Paragraph and Money for the delivery adjustment amount related to Individual Issue Transaction as stipulated in Paragraph 3.
2. The market value of the Security Settlement Obligation Related to Individual Issue Transaction shall be the market value of the Security Settlement Obligation Related to Individual Issue Transaction assessed in accordance with the relevant rules of JSCC.
3. The delivery adjustment amount related to Individual Issue Transaction shall be the difference between the amount of the Monetary Settlement Obligation Related to Individual Issue Transaction and the market value of the Security Settlement Obligation

Related to Individual Issue Transaction.

(Article 48 Deleted)

(Article 49 Payment/Receipt of Money for Delivery Adjustment Amount Related to Individual Issue Transaction)

Payment/receipt of Money for the delivery adjustment amount related to the Individual Issue Transaction shall be made between JSCC and a Clearing Participant as stipulated in each of the following Items and based on the classification referenced in each:

(1) If the amount of the Monetary Settlement Obligation Related to Individual Issue Transaction is more than the market value of the Security Settlement Obligation Related to Individual Issue Transaction:

The Clearing Participant receiving the Japanese government bonds shall pay the Money for the delivery adjustment amount related to Individual Issue Transaction to JSCC, and the Clearing Participant delivering the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Individual Issue Transaction from JSCC.

(2) If the amount of the Monetary Settlement Obligation Related to Individual Issue Transaction is less than the market value of the Security Settlement Obligation Related to Individual Issue Transaction:

The Clearing Participant delivering the Japanese government bonds shall pay the Money for the delivery adjustment amount related to Individual Issue Transaction to JSCC, and the Clearing Participant receiving the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Individual Issue Transaction from JSCC.

(Article 50 Payment/Receipt of Money for Amount Equal to Interest Settlement Obligation Related to Related to Individual Issue Transaction)

The paying Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction shall pay to JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction and the receiving Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction shall receive from JSCC

the Money in the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction.

## Section 2 Settlement of Subsequent Collateral Allocation Repo Transaction, Etc.

### (Article 50-2 Basket Netting)

1. JSCC shall, for each Clearing Participant, with respect to JGB Delivery Obligation (Basket), owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4), whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which Basket and the Settlement Day, Etc. are the same. In such case, the amount of the obligations offset through the netting calculation related to JGB Delivery Obligation (Basket) shall be automatically deemed to have been delivered, and the remaining amount shall be replaced with a single obligation of JGB Delivery Obligation (Basket). In such case, for the replaced JGB Delivery Obligation (Basket), the obligation stipulated in Item (1) shall be referred to as the "Starting/Rewind JGB Delivery Obligation (Basket)" and the obligation stipulated in Item (2) shall be referred to as the "Ending /Unwind JGB Delivery Obligation (Basket)".

(1) The Starting JGB Delivery Obligation (Basket) and the Rewind JGB Delivery Obligation (Basket)

(2) The Ending JGB Delivery Obligation (Basket) and the Unwind JGB Delivery Obligation (Basket)

2. JSCC shall, for each Clearing Participant, with respect to the obligation to pay Money (excluding the Obligation to Pay the Amount Equal to Interest Rate Amount Related to Repo Transaction, Etc.) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4), whenever JSCC or the relevant Clearing Participant assumes obligations, calculate the balance of the amount of such obligations by netting the amount of the obligations of which Basket and Settlement Day, Etc. are the same for each obligation specified in each of the following Items. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid and the remaining amount shall be replaced with a single obligation to pay Money. In such case, for the replaced obligation to pay Money, the obligation stipulated in Item (1) shall be referred to as the "Starting/Rewind Monetary Payment Obligation (Basket)" and the obligation stipulated in Item (2) shall be referred to

as the "Ending /Unwind Monetary Payment Obligation (Basket)".

- (1) The Starting Monetary Payment Obligation and the Rewind Monetary Payment Obligation
- (2) The Ending Monetary Payment Obligation and the Unwind Monetary Payment Obligation

(Article 50-3 Allocable Balance Notice)

1. Upon Collateral Allocation, the Clearing Participant which delivers Japanese government bonds, as prescribed by JSCC, shall notify JSCC of issue and quantity of Japanese government bonds which can be delivered for Subsequent Collateral Allocation Repo Transaction, Etc., in a manner prescribed by JSCC.
2. When a Clearing Participant, has obtained prior approval from JSCC, in accordance with the relevant rules of JSCC, it may make a notification of issue and quantity of Japanese government bonds as stipulated in preceding Paragraph through its agent.

(Article 50-4 Collateral Allocation)

1. JSCC, shall allocate issue and quantity of Japanese government bonds for the newly replaced Starting/Rewind JGB Delivery Obligation (Basket) pursuant to the provisions of Article 50-2, Paragraph 1 for which Settlement Day, Etc. arrives on the day of Basket Netting and Ending/Unwind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the immediately following day of Basket Netting, according to the notice stipulated in the preceding Article, as prescribed by JSCC.
2. When issue and quantity of Japanese government bonds are allocated pursuant to the provisions in the preceding Paragraph, the portion to which issue and quantity of Japanese government bonds have been allocated (hereinafter referred to as the "Starting/Rewind JGB Delivery Obligation (Individual Issue)"), shall be deducted from Starting/Rewind JGB Delivery Obligation (Basket) stipulated in the preceding Paragraph.
3. When issue and quantity of Japanese government bonds are allocated pursuant to the provisions in Paragraph 1, the portion for which issue and quantity of Japanese government bonds have been allocated (hereinafter referred to as the "Ending/Unwind JGB Delivery Obligation (Basket)") as stipulated in Paragraph 1 shall be deducted from Ending/Unwind JGB Delivery Obligation (Individual Issue) stipulated in Paragraph 1.
4. The provisions in Paragraphs 3 to 6 of Article 44 shall apply *mutatis mutandis* to Collateral Allocation as stipulated in Paragraph 1.

(Article 50-5 Netting of Japanese Government Bonds Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

JSCC shall, for each Clearing Participant, when Collateral Allocation pursuant to the provisions in immediately preceding Article is executed with respect to Starting/Rewind JGB Delivery Obligation (Individual Issue) and Ending/Unwind JGB Delivery Obligation (Individual Issue) for which Settlement Day, Etc. arrives on the current day, calculate the balance of the quantity of such obligations by netting the quantity of the obligations of which issue is same. In such case, the quantity of the obligations offset through the netting calculation shall be automatically deemed to have been delivered, and the remaining quantity shall be replaced with a single obligation to deliver securities (hereinafter referred to as the "Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.") for the balance between the relevant Clearing Participant and JSCC.

(Article 50-6 Netting of Money Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

JSCC shall, for each Clearing Participant, when Collateral Allocation pursuant to the provisions in Article 50-4 is executed, calculate the balance of the amount of the portion as determined by JSCC as corresponding to the relevant Collateral Allocation of the Starting/Rewind Monetary Payment Obligation and the Ending/Unwind Monetary Payment Obligation for which Settlement Day, Etc. arrives on the current day by netting the amount of the obligations. In such case, the amount of the obligations offset through the netting calculation shall be automatically deemed to have been paid and the remained amount shall be replaced with a single obligation to pay Money (hereinafter referred to as the "Monetary Payment Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.") for the balance between the relevant Clearing Participant and JSCC.

(Article 50-7 Netting of Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

JSCC shall, for each Clearing Participant, when the Collateral Allocation pursuant to the provisions Article 50-4 is executed, calculate the balance of the amount of the Obligations to pay the Amount Equal to Interest Settlement Obligation Related to Repo Transaction, Etc. of which payment day arrives on the immediately following day by netting the amount of such

obligations. In such case, the amount of the calculation offset through the netting calculations shall be automatically deemed to have been paid and the remained amount shall be replaced with a single obligation to pay Money between each Clearing Participant and JSCC (hereinafter referred to as the “Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.” ) for the balance between the relevant Clearing Participant and JSCC.

(Article 50-8 Method of Performance of Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

1. Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. between a Clearing Participant and JSCC shall be performed by paying/receiving Money for the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. as stipulated in the following Paragraph and Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction as stipulated in Paragraph 3.
2. The market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. assessed in accordance with the relevant rules of JSCC.
3. The delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be the difference between the amount of the Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.

(Article 50-9 Payment/Receipt of Money for Delivery Adjustment Amount Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

Payment/receipt of Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be made between JSCC and a Clearing Participant, as stipulated in each of the following Items and based on the classification referenced in each:

- (1) If the amount of Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. is more than the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction:

The Clearing Participant receiving Japanese government bonds shall pay the Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. to JSCC, and the Clearing Participant delivering the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. from JSCC.

(2) If the amount of Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. is less than the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.:

The Clearing Participant delivering the Japanese government bonds shall pay the Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. to JSCC, and the Clearing Participant receiving the Japanese government bonds shall receive such Money for the delivery adjustment amount related to Subsequent Collateral Allocation Repo Transaction, Etc. from JSCC.

(Article 50-10 Payment/Receipt of Money for Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.)

The paying Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall pay to JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the receiving Clearing Participant related to the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall receive from JSCC the Money in the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.

### Section 3 DVP Settlement for Japanese Government Bonds

(Article 50-11 Method and Cutoff Time of DVP Settlement for Japanese Government Bonds)

1. Delivery/receipt of quantity of Japanese government bonds in relation to the Security Settlement Obligation Related to Individual Issue Transaction and payment/receipt of the market value of Security Settlement Obligation Related to Individual Issue Transaction

and delivery/receipt of quantity of Japanese government bonds in relation to the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and payment/receipt of the market value of Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. shall be made between JSCC and a Clearing Participant by DVP Settlement in the Bank of Japan Financial Network System, in a manner as stipulated in the following items, by each type of transaction in each item.

(1) Individual Issue Transaction.

A) The Clearing Participant delivering Japanese government bonds shall deliver the Japanese government bonds and receive Money by 1:30 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive the Japanese government bonds by 2:00 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

(2) Subsequent Collateral Allocation Repo Transaction, Etc. (limited to those related to obligation newly replaced pursuant to the provisions of Article 50-5 and Article 50-6, at the time specified in Article 44, Paragraph 2, Item (2))

A) The Clearing Participant delivering Japanese government bonds shall deliver the Japanese government bonds and receive Money by 10:30 A.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive the Japanese government bonds by 11:00 A.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

(3) Subsequent Collateral Allocation Repo Transaction, Etc. (limited to those related to obligation newly replaced pursuant to the provisions of Article 50-5 and Article 50-6, at the time specified in Article 44, Paragraph 2, Item (3))

A) The Clearing Participant delivering Japanese government bonds shall deliver the Japanese government bonds and receive Money, by 1:30 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

B) The Clearing Participant paying Money shall pay Money and receive Japanese government bonds by 2:00 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.

(4) Subsequent Collateral Allocation Repo Transaction, Etc. (limited to those related to obligation newly replaced pursuant to the provisions of Article 50-5 and Article 50-6, at

the time specified in Article 44, Paragraph 2, Item (4))

- A) The Clearing Participant delivering Japanese government bonds shall deliver Japanese government bonds and receive Money, by 3:30 P.M. on the Settlement Day, Etc., in a manner as prescribed by JSCC.
  - B) The Clearing Participant paying Money shall pay Money and receive Japanese government bonds by 4:00 P.M. on the Settlement Day, Etc. in a manner as prescribed by JSCC.
2. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may deliver/receive Japanese government bonds and pay/receive Money as stipulated in the preceding Paragraph through its agent in accordance with the relevant rules of JSCC.
3. In executing the settlement pursuant to the provisions in the two preceding (2) Paragraphs The Clearing Participant shall make efforts to ensure a smooth settlement,.

(Article 50-12 JGB Futures Pair-off Netting)

1. Notwithstanding the provisions in the preceding Article, as for settlement related to combination of JGB Futures Pair-off Netting concluded pursuant to the provisions of the following Paragraph, delivery/receipt and payment/receipt of Japanese government bonds and Money set forth in Article 50-11, Paragraph1, Item (1) shall be deemed to have been completed at scheduled starting time of the relevant settlement. However, if a difference arises between delivery settlement amount related to JGB Futures Physical Delivery Settlement (referring to the Settlement by Delivery and Payment stipulated in Article 73-11 of Securities and Similar Contracts Business Rules; same applies hereinafter in this article) and market value of Security Settlement Obligation related to Individual Issue Transaction, the difference amount will be paid/received between JSCC and a Clearing Participant.
2. JSCC shall have a combination of JGB Futures Pair-off Netting concluded for JGB Futures Delivery Settlement and an Individual Issue Settlement (referring to delivery/receipt of Japanese government bonds of quantity relates to Security Settlement Obligation related to Individual Issue Transaction and payment/receipt of Money of market value of Security Settlement Obligation related to Individual Issue Transaction in a manner prescribed by JSCC). However, if JSCC deems it is not adequate to conclude JGB Futures Pair-off Netting due to the unavoidable reason, including an occurrence of failure in calculation for conclusion of JGB Futures Pair-off Netting, this shall not apply.

3. Even if a combination of JGB Futures Pair-off Netting is concluded pursuant to the provisions of the preceding Paragraph, if JSCC has determined a Default, Etc. has occurred, Etc. or the Determination of Insolvency as stipulated in Article 76, Paragraph 5 of the Securities and Similar Contracts Business Rules with respect to the Pair-off Netting Applying Participant before the settlement is deemed to have completed pursuant to the provision of Paragraph 1, JSCC may revoke the concluded combination of JGB Futures Pair-off Netting.
4. A Clearing Participant (limited to JGB Futures Clearing Participant (referring to a JGB Futures Clearing Participant set forth in Article 5, Paragraph 3, of the Securities and Similar Contracts Business Rules) shall, when it desires to utilize JGB Future Pair-off Netting, apply for utilization of JGB Future Pair-off Netting in advance in a manner prescribed by JSCC.

#### Section 4 Fail

##### (Article 51 Treatment of Fail)

1. If, in relation to the settlement as stipulated in Article 50-11, the Clearing Participant delivering the Japanese government bonds causes a Fail, such settlement shall be deferred to the following day or later.
2. In the event that the settlement between the Clearing Participant delivering the Japanese government bonds and JSCC has been deferred pursuant to the provisions of preceding Paragraph, the part of the settlement between JSCC and the Clearing Participant receiving the Japanese government bonds specified by JSCC shall be executed on the Settlement Day related to a Fail.
3. The provisions in the each of the relevant Item shall apply *mutatis mutandis* to the delivery/receipt of Japanese government bonds and the payment/receipt of Money for the Settlement Related to Fail, depending on the type of transaction specified in each of the following Items.
  - (1) Individual Issue Transaction: The provisions as stipulated in Article 50-11 (excluding the provisions stipulated in Paragraph 1, Items (2) to (4)).
  - (2) Subsequent Collateral Allocation Repo Transaction, Etc.: The provisions as stipulated in Article 50-11 (excluding the provisions stipulated in Paragraph 1, Items (1), (3) and (4)).
4. Notwithstanding the provisions of the preceding Paragraph, with regard to the

Settlement Related to Fail, if JSCC especially deems it necessary to ensure smooth settlement, the settlement may be executed by a method prescribed by JSCC at each time.

(Article 52 Payment/Receipt of Fails Charges)

1. The delivering Clearing Participant for the Settlement Related to Fail shall pay to JSCC Fails Charges in the amount prescribed by JSCC, and JSCC shall pay to the receiving Clearing Participant Fails Charges in the amount prescribed by JSCC for the Settlement Related to Fail.
2. In addition to the matters as stipulated in the preceding Paragraph, necessary matters concerning Fails Charges shall be prescribed by JSCC.

(Article 53 Handling of the Case Where Interest Payment Day Arrives for Japanese government bonds Related to Fail)

In the event that the Settlement Related to Fail has still not been executed on the day immediately preceding the interest payment day for the Japanese government bonds related to such settlement (if such day falls on a bank non-business day, it shall be the immediately preceding bank business day), the delivering Clearing Participant for such Settlement Related to Fail shall pay the Money in the amount equal to interest to be received to JSCC on such interest payment day, and the receiving Clearing Participant for such Settlement Related to Fail shall receive the Money in the amount equal to the interest to be received from JSCC on such interest payment day.

(Article 54 Handling of the Case Where Redemption Day Arrives for Japanese government bonds Related to Fail)

1. In the event that the Settlement Related to Fail has still not been executed on the day immediately preceding the redemption day for the Japanese government bonds related to such settlement (if such Japanese government bonds are the Japanese government bonds specified by JSCC, the interest payment day; the same applies hereinafter in this Article) (if such day falls on a bank non-business day, it shall be the immediately preceding bank business day), the delivering Clearing Participant such Settlement Related to Fail shall pay the Money in the amount equal to the redemption amount (if such Japanese government bonds are Japanese government bonds as specified by JSCC, the amount equal to interest; the same shall apply, hereinafter) to be received to

JSCC on such redemption day, and the receiving Clearing Participant for such Settlement Related to such Fail shall receive the Money in the amount equal to the redemption amount from JSCC on such redemption day.

2. In the case of the preceding Paragraph, the receiving Clearing Participant for such Settlement Related to Fail shall pay the Money in the amount equal to the payment to be made at the Settlement Related to Fail to JSCC on the redemption day, and the delivering Clearing Participant for such Settlement Related to Fail shall receive such Money from JSCC on the redemption day.
3. Notwithstanding the provisions of Article 51, Paragraph 3, if the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail shall be deemed to have been executed by the payment/receipt of such Money.

## Chapter 6 Buy-In, Etc.

### Section 1 Buy-In

(Article 55 Buy-In)

1. JSCC may conduct Buy-In.

The settlement of buying and selling resulting from Buy-In shall be executed on the day specified by JSCC on each applicable occasion, which shall arrive during a four (4) day period (excluding holidays; the same applies hereinafter in the calculation of number of days) starting from the day on which such Buy-In is executed.

(Article 56 Settlement between Clearing Participant Which Executes Selling in Buy-In and JSCC)

1. For the settlement of buying and selling resulting from Buy-In, the amount of Money paid by JSCC to the Clearing Participant which executes selling in such Buy-In and the quantity of Japanese government bonds delivered to JSCC by such Clearing Participant shall be the price for buying and selling (including accrued interest corresponding to the number of days to the Settlement Day, Etc.) (referring to the prorated amount of interest obtained by multiplying the face value by the interest rate of the relevant Japanese government bonds for a period ending the day of the settlement) (any fractional amount less than one (1) yen shall be rounded down; the same applies hereinafter) and the quantity of Japanese government bonds in respect of each buying

and selling resulting from such Buy-In.

2. The provisions of Article 50-11 (excluding provisions stipulated in Paragraph 1, Item (2) to (4)) shall apply *mutatis mutandis* to the delivery/receipt of Japanese government bonds and payment/receipt of Money between the Clearing Participant which executes selling in Buy-In and JSCC.
3. In executing the settlement of buying and selling resulting from Buy-In, the Clearing Participant which executes selling in Buy-In shall not cause a Fail at the cutoff time as stipulated in Article 50-11, Paragraph 1, Item (1) A) which is applied *mutatis mutandis* pursuant to the preceding Paragraph.
4. In the event that the settlement of buying and selling resulting from Buy-In is executed pursuant to the provisions of Paragraphs 1 and 2, JSCC shall deliver the Japanese government bonds related to the Settlement Related to Fail to the receiving Clearing Participant for the Settlement Related to Fail for which such Buy-In is executed and receive the Money related to the Settlement Related to Fail from such receiving Clearing Participant pursuant to the provisions of Article 50-11 (excluding provisions stipulated in Paragraph 1, Item (2) through Item (4)), Paragraph 1, Item (2) which is applied *mutatis mutandis* pursuant to the provisions of Article 51, Paragraph 3.

(Article 57 Settlement between Delivering Clearing Participant for the Settlement Related to Fail for Which Buy-In is Executed and JSCC)

1. In the event that Buy-In is executed pursuant to the provisions of Article 55, the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In is executed shall pay/receive to/from JSCC the difference between the price for buying and selling resulting from such Buy-In and the market value of the Security Settlement Obligation Related to the Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In is executed and the amount equal to the expense incurred by JSCC for procuring funds necessary for such Buy-In.
2. The provisions of Article 69 (excluding the provisions in Paragraph 1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the settlement of buying and selling resulting from such Buy-In and the Settlement Related

to Fail between the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In is executed and JSCC shall be deemed to have been executed.

## Section 2 Buy-In by Participants

(Article 58 Buy-In by Participants)

1. A receiving Clearing Participant for the Settlement Related to Fail may conduct Buy-In by Participants.
2. The settlement of buying and selling resulting from Buy-In by Participants shall be executed on the day agreed upon between the Clearing Participant executing Buy-In by Participants and the party executing selling to such Clearing Participant, which shall arrive during a four (4) day period starting from the day on which such Buy-In by Participants is executed .

(Article 59 Settlement between Clearing Participant Which Executed Buy-In by Participants and JSCC)

1. In the event that Buy-In by Participants is executed pursuant to the provisions of the preceding Article, the Clearing Participant which executes such Buy-In by Participants shall pay/receive to/from JSCC the difference between the price for buying and selling resulting from such Buy-In by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In by Participants is executed and the amount equal to the expense incurred by such Clearing Participant for procuring funds necessary for such Buy-In by Participants.
2. The provisions of Article 69 (excluding the provisions in Paragraph 1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the settlement of buying and selling resulting from such Buy-In by Participants and the Settlement Related to Fail for which such Buy-In by Participants is executed between the Clearing Participant which executes Buy-in by Participants and JSCC shall be deemed to have been executed.

(Article 60 Settlement between Delivering Clearing Participant for the Settlement Related to Fail for Which Buy-In by Participants is Executed and JSCC)

1. In the event that Buy-In by Participants is executed pursuant to the provisions of Article 58, the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In by Participants is executed shall pay/receive to/from JSCC on the day of settlement of such Buy-In by Participants the difference between the price for buying and selling resulting from such Buy-In by Participants and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In Participants is executed and the amount equal to the expense incurred by the Clearing Participant which executed such Buy-In by Participants for procuring funds necessary for such Buy-In by Participants.
2. The provisions of Article 69 (excluding the provisions in Paragraph1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail between the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In by Participant is executed and JSCC shall be deemed to have been executed.

### Section 3 Buy-In Notice under the Uniform Practice Code

(Article 61 Buy-In Notice under Uniform Practice Code)

A receiving Clearing Participant for the Settlement Related to Fail may, upon receipt from a member of the Japan Securities Dealers Association or its customer of a notice concerning Buy-In under the Uniform Practice Code or a secondary notice upon receipt of such notice arising from such Fail, notify JSCC of the fact that it has received a notice concerning such Buy-In under the Uniform Practice Code or a secondary notice upon receipt of such notice (hereinafter referred to as "Buy-In Notice under the Uniform Practice Code").

(Article 62 Settlement between Clearing Participant Which Gives Buy-In Notice under the Uniform Practice Code and JSCC)

1. When a Buy-In Notice under the Uniform Practice Code as stipulated in the preceding Article is given and Buy-In under the Uniform Practice Code is executed, the Clearing Participant which gives such Buy-In Notice under the Uniform Practice Code shall pay/receive to/from JSCC on the Settlement Day of such Buy-In under the Uniform Practice Code the difference between the price of buying and selling resulting from such Buy-In under the Uniform Practice Code and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In Notice under the Uniform Practice Code is given and the amount equal to the expense related to the Buy-in under the Uniform Practice Code (referring to the amount equal to the expense incurred by the party which executes such Buy-In under the Uniform Practice Code pursuant to the Uniform Practice Code for procuring funds necessary for such Buy-In under the Uniform Practice Code).
2. The provisions of Article 69 (excluding the provisions in Paragraph1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given between the Clearing Participant which gives the Buy-In Notice under the Uniform Practice Code and JSCC shall be deemed to have been executed.

(Article 63 Settlement between Delivering Clearing Participant for the Settlement Related to Fail for Which Buy-In Notice under Uniform Practice Code is Given and JSCC)

1. When a Buy-In Notice under the Uniform Practice Code as stipulated in the Article 61 is given and Buy-In under the Uniform Practice Code is executed, the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given shall pay/receive to/from JSCC on the Settlement Day of such Buy-In under Uniform Practice Code the difference between the price of buying and selling resulting from such Buy-In under the Uniform Practice Code and the market value of the Security Settlement Obligation Related to Individual Issue Transaction or

the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. related to Fail for which such Buy-In Notice under the Uniform Practice Code is given and the amount equal to the expense related to the Buy-in under the Uniform Practice Code.

2. The provisions of Article 69 (excluding the provisions in Paragraph 1, Item (2)) shall apply *mutatis mutandis* to the payment/receipt of Money as stipulated in the preceding Paragraph.
3. Notwithstanding the provisions of Article 51, Paragraph 3, in the event that the Money is paid/received pursuant to the provisions of the preceding two (2) Paragraphs, the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given between the delivering Clearing Participant for the Settlement Related to Fail for which such Buy-In Notice under the Uniform Practice Code is given and JSCC shall be deemed to have been executed.

#### Section 4 Miscellaneous Clauses

##### (Article 64 Delegation to Rules)

In addition to the matters as stipulated in this Chapter, necessary matters concerning Buy-In, Buy-In by Participants and Buy-In Notice under the Uniform Practice Code shall be prescribed by JSCC in the Subordinate Rules.

#### Chapter 7 Variation Margin

##### (Article 65 Variation Margin Deposit)

1. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Transactions Subject to Clearing (excluding the amount of Money received in relation to the Obligation to Pay the Amount Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc.; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is less than the sum of the present value (to be determined by JSCC) of the amount of Money paid (excluding the amount of Money paid in relation to the Obligation to Pay the Amount

Equal to Interest Related to Cash-secured Bond Lending Transaction, Etc., the Obligation to Pay the Amount Equal to Interest Related to Repo Transaction, Etc. and the Obligation to Pay the Amount Equal to Interest Related to Closing of Original Repo Transaction, Etc.; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Transactions Subject to Clearing, the relevant Clearing Participant shall deposit such deficit with JSCC as Variation Margin on the day immediately following the day on which such deficit occurred.

2. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Transactions Subject to Clearing and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is more than the sum of the present value (to be determined by JSCC) of the amount of Money paid and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Transactions Subject to Clearing, the relevant Clearing Participant shall receive a deposit from JSCC of such surplus as Variation Margin on the day immediately following the day on which such surplus occurred.

(Article 66 Variation Margin Deposit Related to Fail)

1. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Settlement Related to Fail (excluding the amount of Money received pursuant to the provisions of Article 49; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity received is less than the sum of the present value (to be determined by JSCC) of the amount of Money paid (excluding the amount of Money paid pursuant to the provisions of Article 53; the same applies hereinafter in this Article) and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Settlement Related to Fail, the relevant Clearing Participant shall deposit such deficit with JSCC as Variation Margin related to Fail on the day immediately following the day on which such deficit occurred.
2. In the event that the sum of the present value (to be determined by JSCC) of the amount of Money received in relation to the Settlement Related to Fail and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity

received is more than the sum of the present value (to be determined by JSCC) of the amount of Money paid and the market value (to be determined by JSCC) of the Japanese government bonds in the quantity delivered in relation to such Settlement Related to Fail, the relevant Clearing Participant shall receive a deposit from JSCC of such surplus as Variation Margin on the day immediately following the day on which such surplus occurred.

(Article 67 Return of Variation Margin)

1. The Clearing Participant shall return to JSCC Variation Margin received from JSCC pursuant to the provisions of the preceding two (2) Articles on the day immediately following the day on which the deposit is received. In such case, Variation Margin shall bear interest at a rate prescribed by JSCC.
2. The Clearing Participant shall receive from JSCC a return of Variation Margin deposited with JSCC pursuant to the provisions of the preceding two (2) Articles on the day immediately following the day on which the deposit is made. In such case, Variation Margin shall bear interest at a rate prescribed by JSCC.

## Chapter 8 FOS Settlement

(Article 68 FOS Settlement)

Payment/receipt of Money specified in each of the following Items shall be executed by paying/receiving the difference between the total amount to be paid and the total amount to be received by the same Clearing Participant (hereinafter referred to as "FOS Settlement").

- (1) Payment/receipt of Money pursuant to the provisions of Article 49, Article 50, Article 50-10, the proviso to Article 50-12 Paragraph 1, Articles 52 to 54, Articles 65 to 67 and Article 70-8, Paragraph 4.
- (2) Payment/receipt of Money pursuant to the provisions of Article 50-9.

(Article 69 Method and Cutoff Time of FOS Settlement)

1. FOS Settlement shall be executed between a Clearing Participant and JSCC by book-entry transfer between the current account of the Clearing Participant and the current account of JSCC used for BOJ Current Accounts transactions in a manner as

stipulated in each of the following Items, for each type of Money specified therein:

(1) Money specified in Item (1) of the immediately preceding Article:

A) The paying Clearing Participant shall pay the Money in a manner as prescribed by JSCC by 10:00 A.M. of the Settlement Day, Etc.; and

B) The receiving Clearing Participant shall receive the Money in a manner as prescribed by JSCC promptly after 10:30 A.M. of the Settlement Day, Etc.

(2) Money specified in Item (2) of the immediately preceding Article:

A) The paying Clearing Participant shall pay the Money in a manner as prescribed by JSCC by 3:30 P.M. of the Settlement Day, Etc.; and

B) The receiving Clearing Participant shall receive the Money in a manner as prescribed by JSCC promptly after 4:00 P.M. of the Settlement Day, Etc.

2. When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may pay/receive the Money as stipulated in the preceding Paragraph through its agent in accordance with the relevant rules of JSCC.

## Chapter 9 Initial Margin and JGB OTC Transaction Clearing Fund

### Section 1 Initial Margin

(Article 70 Obligation to Deposit Initial Margin)

1. The Clearing Participant shall, for the purpose of ensuring the performance of all obligations owed to JSCC in relation to JGB OTC Transaction Clearing Business, deposit, the amount of Initial Margin with JSCC, as prescribed by JSCC.
2. When the amount of Initial Margin deposited with JSCC falls short of the Required Initial Margin Amount, the Clearing Participant shall deposit with JSCC an additional amount of Money not less than such deficit in accordance with the relevant rules of JSCC.

(Article 70-2 Required Amount of Initial Margin)

Matters related to Required Initial Margin Amount shall be prescribed by JSCC in the Subordinate Rules.

(Article 70-3 Return of Initial Margin)

1. A Clearing Participant may request JSCC to refund the amount of Initial Margin deposited with JSCC with the limits of not more than the amount exceeding the

Required Initial Margin Amount.

2. When the request as stipulated in the preceding Paragraph is made, JSCC may suspend to refund all or part of the Initial Margin of the relevant Clearing Participant if JSCC especially deems it necessary to do so.

(Article 70-4 Revision of Required Initial Margin Amount by Calling Intra-day Initial Margin)

1. In the event that the market for JGB Futures Transactions (referring to the transactions as stipulated in Article 2, Paragraph 21, Item (1) of the Act which is related to Japanese government bonds and is conducted at Osaka Exchange, Inc.) fluctuates beyond the standard prescribed by JSCC or if JSCC otherwise deems it necessary, JSCC shall increase the Required Initial Margin Amount by calling Intra-day Initial Margin, in a manner prescribed by JSCC.
2. When JSCC increases Required Initial Margin Amount pursuant to the provisions in the immediately preceding Paragraph, it shall notify the relevant Clearing Participant thereof promptly after the time prescribed by JSCC.

## Section 2 JGB OTC Transaction Clearing Fund

(Article 70-5 Obligation to Deposit JGB OTC Transaction Clearing Fund)

1. The Clearing Participant shall, for the purpose of ensuring the performance of all of its obligations owed to JSCC in relation to JGB OTC Transaction Clearing Business and for the purpose of applying such fund to recover the loss incurred by JSCC pursuant to the Business Rules when JSCC determines Default, Etc. of other Clearing Participants, deposit JGB OTC Transaction Clearing Fund with JSCC, in a manner as prescribed by JSCC.
2. When the deposited balance of the JGB OTC Transaction Clearing Fund (when the whole or part of the JGB OTC Transaction Clearing Fund has been applied to the recovery of losses to JSCC in accordance with these Business Rules, Etc. in the case where JSCC has determined a Default, Etc. of any other Clearing Participant to have occurred, the balance after such application; the same applies hereinafter) falls short of the Required JGB OTC Transaction Clearing Fund Amount, the Clearing Participant shall deposit with JSCC Money in the amount at least equal to such shortfall in accordance with the relevant rules of JSCC.

## (Article 70-6 Required Amount of JGB OTC Transaction Clearing Fund)

Matters related to Required JGB OTC Transaction Clearing Fund Amount shall be prescribed by JSCC in the Subordinate Rules.

## (Article 70-7 Return of JGB OTC Transaction Clearing Fund)

The Clearing Participant may request JSCC to refund the amount of the JGB OTC Transaction Clearing Fund with the limits of not more than the amount exceeding the Required JGB OTC Transaction Clearing Fund Amount.

## Section 3 Substituting Japanese Government Bonds

## (Article 70-8 Substituting Japanese Government Bonds)

1. Initial Margin (limited to the amount exceeding the amount prescribed by JSCC) and JGB OTC Transaction Clearing Fund may be deposited in a form of Japanese government bonds (limited to those prescribed by JSCC) in lieu of Money in accordance with the relevant rules of JSCC.
2. The substituting value of such Japanese government bonds as stipulated in the preceding Paragraph shall be the market value of such Japanese government bonds prescribed by JSCC multiplied by the rate prescribed by JSCC; provided, however, that in cases such as an excessive fluctuation in the market, JSCC may extraordinarily change the substituting value when JSCC deems it particularly necessary to do so.
3. JSCC may liquidate the Substituting Japanese Government Bonds deposited as Initial Margin and JGB OTC Transaction Clearing Fund.
4. When the interest payment day (excluding the interest payment day related to the Japanese government bonds specified by JSCC) for the Substituting Japanese Government Bonds deposited as Initial Margin or JGB OTC Transaction Clearing Fund arrives, JSCC shall pay the amount equal to the interest related to such Substituting Japanese Government Bonds to the Clearing Participant which deposited such Substituting Japanese Government Bonds on such interest payment day, and when the redemption day (or interest payment day for Japanese government bonds specified by JSCC; the same applies in this Paragraph) for such Substituting Japanese Government Bonds arrives, JSCC shall pay, on the redemption day, the amount equal to the interest related to such Substituting Japanese Government Bonds (excluding Japanese

government bonds specified by JSCC) to the Clearing Participant which deposited such Substituting Japanese Government Bonds, and deem the amount equal to the redemption amount (for Japanese government bonds specified by JSCC, the amount equal to interest) for such Substituting Japanese Government Bonds as Money deposited on the redemption day with JSCC by the Clearing Participant which deposited such Substituting Japanese Government Bonds as Initial Margin or JGB OTC Transaction Clearing Fund.

5. In addition to the provisions of the preceding four (4) Paragraphs, matters concerning the Substituting Japanese Government Bonds for Initial Margin and JGB OTC Transaction Clearing Fund shall be prescribed by JSCC.

#### Section 4 Delivery/Receipt of Initial Margin and JGB OTC Transaction Clearing Fund through Agent

(Article 70-9 Delivery/Receipt of Initial Margin and JGB OTC Transaction Clearing Fund through Agent)

When a Clearing Participant has obtained prior approval from JSCC in accordance with the relevant rules of JSCC, it may pay/receive the Money or deliver/receive the Japanese government bonds as stipulated in Articles 70, Articles 70-3 through 70-5, Articles 70-7 and Articles 70 through its agent in accordance with the relevant rules of JSCC.

#### Section 5 Use of Initial Margin

(Article 71 Use of Initial Margin)

1. JSCC may engage in the acts as stipulated in each of the following Items with the Money and Substituting Japanese Government Bonds deposited as Initial Margin:
  - (1) Performing the Obligation to Pay Related to Participants Settlement owed by JSCC to Clearing Participants and other obligations owed by JSCC to Clearing Participants under these Business Rules; and
  - (2) Providing security to procure funds pursuant to the provisions of Article 74 or repaying the procured funds.
2. In the event that JSCC engages in the acts as stipulated in the preceding Paragraph, when the amount of Money currently held by JSCC as Initial Margin becomes less

than the amount of Money currently deposited with JSCC as Initial Margin, or when the quantity of Substituting Japanese Government Bonds currently held by JSCC as Initial Margin becomes less than the quantity of Substituting Japanese Government Bonds currently deposited with JSCC as Initial Margin, JSCC shall recover the amount of Money or the quantity of Substituting Japanese Government Bonds held by JSCC as Initial Margin to the amount or quantity equal to or more than the amount of Money or the quantity of Substituting Japanese Government Bonds deposited with JSCC as Initial Margin with the Money obtained from the disposition or pledge of the Japanese government bonds pursuant to the provisions of Article 77-3, Money for the purpose of recovery of losses pursuant to the provisions of Chapter 10, Section 5 or other Money procured by other means.

#### Chapter 9-2 Clearing Deposit

##### (Article 72 Clearing Deposit)

Initial Margin, JGB OTC Transaction Clearing Fund, Third Tier Special Clearing Charge Collateral and Default Contingent Margin which are deposited by Clearing Participants in order to ensure the performance of their obligations owed to JSCC shall be the Clearing Deposit prescribed in Article 156-11 of the Act.

##### (Article 73 Management of Clearing Deposit)

JSCC shall hold the Clearing Deposit as stipulated in the preceding Article by segregating it from the other assets and manage it on a book separately for each Clearing Participant.

#### Chapter 10 Measures in case of Settlement Default by Clearing Participants

##### Section 1 Procuring Funds at the time of Settlement Default

##### (Article 74 Procuring Funds at the time of Settlement Default)

1. When a Clearing Participant fails or is deemed by JSCC to be likely to fail to perform all or part of the Obligation to Pay Related to Participants Settlement, the Security Settlement Obligation Related to Individual Issue Transactions and the Securities Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction,

Etc., or otherwise JSCC deems necessary based on the status of performance of obligations, JSCC shall perform its obligations to Clearing Participants pursuant to the provisions of Article 50-11 (including the cases where it is applied *mutatis mutandis* pursuant to Article 51, Paragraph 3 and Article 56, Paragraph 2; the same applies in the following Article) or Article 69 (including the cases where it is applied *mutatis mutandis* pursuant to Article 57, Paragraph 2, Article 59, Paragraph 2, Article 60, Paragraph 2, Article 62, Paragraph 2 and Article 63, Paragraph 2; the same applies in the following Article) with the Money acquired by the methods as stipulated in each of the following Items or other methods for procuring funds which JSCC deems appropriate:

- (1) Borrowing funds from a Clearing Participant or any other person; and
  - (2) Standard Repo Transactions to which a Clearing Participant or any other person is a counterparty.
2. When JSCC deems that procuring all or part of the Money needed is difficult even if it uses the methods as stipulated in each Item of the preceding Paragraph, it may procure Money in the amount JSCC deems necessary from Clearing Participants other than the Clearing Participant which is the party to the obligation causing the procurement of funds through Standard Repo Transactions. In such case, JSCC shall allocate the amount to be procured by JSCC to each Clearing Participant other than the Clearing Participant which is the party to the obligation causing the procurement of funds in accordance with the relevant rules of JSCC, and each Clearing Participant subject to such allocation must become a counterparty to Standard Repo Transaction with JSCC with respect to the amount so allocated.
  3. When JSCC deems that procuring all or part of the Money needed is difficult even if it uses the methods as stipulated in Paragraphs 1 and 2 of this Article, it may procure the Money in the amount JSCC deems necessary from Initial Margin deposited in Money pursuant to the provisions of Article 15.

(Article 75 JSCC's Performance of Obligations , Etc. When Funds are Procured)

1. In the case of Paragraph 1 of the preceding Article, JSCC shall perform its obligations as stipulated in Article 50-11 or Article 69 by the cutoff time on the relevant day specified by JSCC on each applicable occasion.
2. When JSCC deems that it is difficult to procure all or part of the Money needed to perform its obligations to the relevant Clearing Participants by the cutoff time as stipulated in the preceding Paragraph even if funds are procured as stipulated in the

preceding Article, notwithstanding the provisions of the preceding Paragraph, JSCC may specify a different day and time at which JSCC shall perform its obligations. In such case, when JSCC deems it necessary, it may suspend receiving Japanese government bonds from the delivering Clearing Participant of the Japanese government bonds until JSCC performs such obligations.

3. In the case of the preceding two (2) Paragraphs, JSCC shall promptly notify Clearing Participants to that effect.

(Article 76 Repayment, Etc. of Procured Funds)

1. When JSCC procures funds pursuant to the provisions of Article 74, Paragraph 1 or 2, the Clearing Participant which is the party to the obligations causing such procurement of funds shall pay to JSCC the amount equal to the expense incurred by JSCC for procuring funds depending upon the condition of performance of such obligations.
2. When JSCC procures funds pursuant to the provisions of Article 74, Paragraph 1 or 2, JSCC shall, according to the case stipulated in following items, carry out the acts stipulated in each item below:
  - (1) When the Clearing Participant which is the party to the obligation causing such procurement of funds has performed its obligations:

Repayment of funds procured pursuant to the provisions of Article 74, Paragraphs 1 and 2 by all or part of the Money obtained from the performance of such obligations;
  - (2) When Article 79 or 80 applies to the Clearing Participant which is the party to the obligations causing such procurement of funds:

Repayment of funds procured pursuant to the provisions of Article 74, Paragraphs 1 and 2 by all or part of the Money obtained from proceeds of the disposition of Japanese government bonds pursuant to the provisions of Article 77-3 or Money for the purpose of recovery of losses pursuant to the provisions of Section 5.
3. When JSCC procures funds pursuant to the provisions of Article 74, Paragraph 3, JSCC shall, according to the case stipulated in following items, carry out the acts stipulated in each item below:
  - (1) When the Clearing Participant which is the party to the obligations causing such procurement of funds has performed its obligation:

Recovery of Initial Margin held by JSCC to the amount deposited with JSCC as Initial Margin by all or a part of the Money obtained from the performance of such obligations;

- (2) When the Clearing Participant which is the party to the obligations causing such procurement of funds becomes subject to Article 79 or 80:  
Acts stipulated in Article 71, Paragraph 2.

## Section 2 Measures in Case of Settlement Default

### (Article 77 Measures in case of Settlement Default)

1. When a Clearing Participant fails to perform or is deemed by JSCC to be likely to fail to perform the Obligation to Pay Related to Participants Settlement or other obligations against JSCC under these Business Rules, JSCC may implement the measures, to the extent and for the period that JSCC deems necessary, to suspend the assumption of obligations under the Transactions Subject to Clearing to which such Clearing Participant is a party and to suspend such Clearing Participant from receiving all or part of the Japanese government bonds and Money to be received from JSCC.
2. JSCC may apply the Money the receipt of which is suspended pursuant to the preceding Paragraph to fulfil the obligations of such Clearing Participant owed to JSCC.

### (Article 77-2 Notification of Suspension of Assumption of Obligation and Other Measures)

When JSCC takes measures pursuant to the provisions of Paragraph 1 of the preceding Article, JSCC shall immediately notify all Clearing Participants to that effect (in the case where JSCC determines a Default, Etc. of a Clearing Participant to have occurred, to that effect and the Default Determination Date.

### (Article 77-3 Disposition of Assurance Assets)

1. When JSCC determines a Default, Etc. of a Clearing Participant to have occurred, in addition to the Auction for Default Settlement, JSCC may sell, or otherwise dispose of or pledge by the method JSCC deems appropriate, the same type and the same quantity of Japanese government bonds as the Japanese government bonds related to the Remaining Quantity of Substituting Initial Margin Deposit of such Clearing Participant, the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit of such Clearing Participant, the Remaining Quantity of Substituting Default Contingent Margin Deposit, the Security Settlement Obligation Related to Individual Issue Transaction to such Clearing Participant, the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. to such

Clearing Participant the obligation to deliver Japanese government bonds related to Buy-In of such Clearing Participant or the obligation to delivery Japanese government bonds of such Clearing Participant related to Subject Transactions for Auction set forth in Article 80-3, Paragraph 3.

2. JSCC shall carry out the acts as stipulated in each of the following Items with the Money obtained from the disposition or pledge pursuant to the provisions of the preceding Paragraph:
  - (1) Performance of Obligation to Pay Related to Participants Settlement or other obligations JSCC owes to the Clearing Participant;
  - (2) Recovery of the balance of Initial Margin as stipulated in Article 71, Paragraph 2; and
  - (3) Repayment of funds procured pursuant to the provisions of Article 74, Paragraphs 1 and 2.

### Section 3 Performance of Obligations by Netting Calculations, Etc.

#### (Article 78 Acceleration of Due Dates)

1. When a Clearing Participant falls under any of the following Items, all obligations of such Clearing Participant owed to JSCC under these Business Rules shall automatically become due without any notice or demand, Etc. from JSCC, and such Clearing Participant shall immediately satisfy such obligations:
  - (1) When a petition is filed for the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, commencement of liquidation or commencement of special liquidation;
  - (2) When a resolution for dissolution is passed or otherwise dissolution becomes effected (excluding dissolution through a merger or a decision to commence bankruptcy proceedings);
  - (3) When a clearing house or an Electronic Monetary Claim Recording Institution defined in Article 2, Paragraph 2 of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007) suspends transactions involving the Clearing Participant;
  - (4) In addition to the cases as stipulated in the preceding three (3) Items, when an application for court proceedings related to settlement of obligations is filed by the Clearing Participant, or when any event which the Clearing Participant is deemed to be unable to pay its debts, have expressed its intention to discontinue its business

- or have generally suspended payments to its creditors occurs;
- (5) When an order for provisional attachment, preservative attachment or attachment against the obligations of the Clearing Participant to JSCC under these Business Rules is issued, or a notice of transfer or pledge of such obligations is issued;
- (6) When any event equal to or similar to the events as stipulated in the preceding Items under laws and regulations of foreign countries occurs; or
- (7) When the Clearing Participant fails to perform all or part of the Obligation to Pay Related to Participants Settlement.
2. When a Clearing Participant falls under any of the following Items, upon notice from JSCC to such Clearing Participant, all obligations of such Clearing Participant to JSCC under these Business Rules shall automatically become due, and such Clearing Participant shall immediately perform such obligations:
- (1) When the Clearing Participant denies in writing the existence of any of its obligations owed to JSCC under these Business Rule, or admits that it has no ability or intention to perform such obligations; or
- (2) When the Clearing Participant violates these Business Rules and JSCC deems that such violation falls under the reasonable cause to preserve JSCC's claims.
3. In the case of the preceding Paragraph, when the notice from JSCC is delivered late or is not delivered due to the Clearing Participant's failure to give notice of change of its address or refuse to receive the notice, or any other cause for which the Clearing Participant should be responsible, acceleration of the due dates shall be deemed to occur as of the time such notice should normally have arrived.

(Article 79 Closeout Netting of Defaulting Clearing Participant's Position)

1. When the Cause of Closeout Netting occurs with respect to a Clearing Participant, then the amount obtained by netting the Appraised Default Values at the time when the Cause of Closeout Netting occurs of all of the outstanding Monetary Payment/Return Obligations and JGB Delivery/Return Obligations between the Clearing Participant and JSCC shall be a single obligation of JSCC to the Clearing Participant by JSCC or a single obligation of the Clearing Participant to JSCC.
2. The Appraised Default Value as stipulated in the preceding Paragraph shall be the amounts as stipulated in each of the following Items:
- (1) As to the Monetary Payment/Return Obligations, the amount of the respective obligations; and

(2) As to the JGB Delivery/Return Obligations, the amount as stipulated in A) to C) below for each obligation as stipulated in each such section:

A) The JGB Delivery/Return Obligations owed by JSCC (excluding the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket))

The sum of the amounts as stipulated in (a) and (b) below:

(a) When JSCC sells the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred or returned in relation to such JGB Delivery/Return Obligations before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the amount of the remaining total sale price after subtracting the expense required for such sale; and

(b) When JSCC does not sell the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred or returned in relation to such JGB Delivery/Return Obligations before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the total market value prescribed by JSCC.

B) The JGB Delivery/Return Obligations owed by the Clearing Participant (excluding Starting/Rewind JGB Delivery Obligation (Basket) and Ending/Unwind JGB Delivery Obligation (Basket))

The sum of the amounts as stipulated in (a) and (b) below:

(a) When JSCC purchases the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred in relation to such JGB Delivery/Return Obligations of the Clearing Participant before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the total purchase price added by the expense required for such purchase; and

(b) When JSCC does not purchase the same type and the same quantity of Japanese government bonds as the Japanese government bonds to be transferred in relation to such Japanese government bonds Delivery/Return Obligation of the Clearing Participant before the third (3rd) day calculating from the day on which the Cause of Closeout Netting occurred, the total market value prescribed by JSCC.

C) The Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind

## JGB Delivery Obligation (Basket)

The amount prescribed by JSCC, pursuant to the result of Auction for the Default Settlement.

3. JSCC shall promptly calculate the amount of the single obligation under the provisions of Paragraph 1 after determining the Appraised Default Value, and notify the relevant Clearing Participant thereof. In such case, JSCC shall specify the date and time at which such single obligation is to be performed.
4. The Monetary Payment/Return Obligations and the JGB Delivery/Return Obligations between the relevant Clearing Participant and JSCC shall be deemed to have been performed and ceased to exist when they become a single obligation pursuant to the provisions of Paragraph 1. In such case, JSCC and the Clearing Participant may also perform the JGB Delivery/Return Obligations by paying the Appraised Default Value at the time of occurrence of the Cause of Closeout Netting of the outstanding JGB Delivery/Return Obligations (referring to the amount calculated pursuant to the provisions of Paragraph 2, Item (2)), and JSCC or the Clearing Participant shall be deemed to have elected such performance.
5. In the case as stipulated in Paragraph 2, Item (2), A), (b), when JSCC sells the same type and the same quantity of Japanese government bonds as those to be delivered or returned in relation to such obligation to deliver or return Japanese government bonds on or after the third (3rd) day as stipulated in said (b), if the amount of the remaining total sale price after subtracting the expense required for such sale falls short of the total market value as stipulated in said (b), the Clearing Participant as stipulated in Paragraph 1 shall pay such shortfall.
6. In the case as stipulated in Paragraph 2, Item (2), B), (b), when JSCC purchases the same type and the same quantity of Japanese government bonds as those to be delivered in relation to such obligation to deliver or return Japanese government bonds of the Clearing Participant on or after the third (3rd) day as stipulated in said (b), if the sum of total purchase price and the expense required for such purchase exceeds the total market value as stipulated in said (b), the Clearing Participant as stipulated in Paragraph 1 shall pay such difference.
7. Notwithstanding the provisions of Paragraphs 2, 5 and 6, in the cases listed below, the appraised value related to the JGB Delivery/Return Obligation shall be determined in the manner stipulated by JSCC in the Subordinate Rules:
  - (1) When an agreement as stipulated in Article 80-4 is reached; or

- (2) When a Close-out Netting of Unsettled Positions as stipulated in Article 80-5 is conducted.

8 Notwithstanding the provisions of Paragraph 1, when JSCC determines an Default, Etc. in respect of an JGB OTC Transaction Agency Clearing Participant, and an application of the Transfer as stipulated in Article 81, Paragraph 1 is made, the calculation of the net aggregate Appraised Default Values and a creation of single obligation as stipulated in Paragraph 1 shall not be performed until such time as completion or failure of the Transfer is determined.

(Article 80 Netting Calculation)

1. When the Clearing Participant's Obligation to Pay Related to Participants Settlement and other obligations to JSCC under these Business Rules become due, JSCC may offset such obligations with JSCC's obligations to such Clearing Participant under these Business Rules regardless of the due date of such obligations.
2. When the preceding Paragraph applies, the obligations shall be satisfied in accordance with the sequence set forth in the following Items; provided, however, that the foregoing shall not apply if JSCC deems it necessary for the preservation of JSCC's rights.
  - (1) The Clearing Participant's obligations owed to JSCC under these Business Rules shall be satisfied with the sequence described below:
    - A) The Clearing Participant's Obligation to Pay Related to Participants Settlement; and
    - B) The Clearing Participant's obligations owed to JSCC under these Business Rules other than those as stipulated in the preceding A).
  - (2) JSCC's obligations owed to such Clearing Participant under these Business Rules shall be satisfied with the sequence described below:
    - A) JSCC's Monetary Payment/Return Obligations;
    - B) The obligation to return the Remaining Quantity of Substituting Initial Margin Deposit;
    - C) The obligation to return the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit;
    - D) The obligation to return the Remaining Quantity of Substituting Default Contingent Margin Deposit;
    - E) The Security Settlement Obligation Related to Individual Issue Transaction,

Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc., Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket)

- F) The obligation to deliver Japanese government bonds owed by JSCC in relation to Standard Repo Transaction to which Clearing Participants are parties as stipulated in Article 74, Paragraph 2, Item (2) and Paragraph 2; and
- G) The obligation to deliver Japanese government bonds related to Subject Transactions for Auction owed by JSCC pursuant to the provisions of Article 80-7, Paragraph 2.
3. In relation to setoff as stipulated in Paragraph 1, JSCC may also perform JGB Delivery/Return Obligations by paying the total appraised value of such obligation to return and such obligation to deliver (referring to the total amount of the remaining total sale price (for the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket), the amount prescribed by JSCC pursuant to the result of the Auction for Default Settlement) when JSCC sells the same type and the same quantity of Japanese government bonds as those to be returned or delivered after subtracting the expense required for such sale), and JSCC shall execute setoff by electing such performance method.
4. In relation to setoff as stipulated in Paragraph 1, JSCC may also cause the Clearing Participant to perform the Clearing Participant's JGB Delivery/Return Obligations by causing such Clearing Participant to pay the total appraised value of such obligation to deliver (referring to the sum of total purchase price (for the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket), the amount prescribed by JSCC in accordance with the result of the Auction for Default Settlement) when JSCC purchases the same type and the same quantity of Japanese government bonds as such Japanese government bonds delivered and the amount of expense required for such purchase), and JSCC shall execute setoff by electing such performance method.
5. In the application of preceding two (2) Paragraphs, the appraised value related to the Securities Settlement Obligation and the obligation to deliver Japanese government bonds related to Subject Transactions for Auction owed by JSCC pursuant to the provisions of Article 80-7, Paragraph 2 shall be determined in the manner prescribed by JSCC in the Subordinate Rules in either of the following cases:
- (1) When an agreement as stipulated in Article 80-4 is reached; or

- (2) When a Close-Out Netting of Unsettled Positions as stipulated in Article 80-5 is conducted.
6. The calculation of charge for delayed payment and other amounts to be paid in the netting calculation for setoff as stipulated in Paragraph 1 shall be made for a period ending on the day on which the calculation is made by JSCC.
  7. The expression of intention to execute setoff pursuant to the provisions of Paragraph 1 shall be made by a written notice.
  8. JSCC may designate the order and method of application of claims or obligations in executing setoff as stipulated in Paragraph 1 in the notice as stipulated in the preceding Paragraph, and the relevant Clearing Participant may not raise its objections against such designation.
  9. If there is any excess collateral (referring to the margin, clearing fund or other collateral (limited only to those of which such Clearing Participant has the claim for refund) which such Clearing Participant has deposited with JSCC in connection with any Other Clearing Business, that remains after the application to the payment of the obligations of such Clearing Participant in accordance with the provisions of the business rules of such Other Clearing Business) that the Clearing Participant has deposited with JSCC in connection with any Other Clearing Business, JSCC's obligations to return related to such excess collateral against such Clearing Participant may be offset against such Clearing Participant's obligation set forth in Paragraph 1 regardless of the due date of such obligations. The provisions of Paragraphs 2 to 8 shall apply *mutatis mutandis* to such case.
  10. JSCC may offset at any time the single remaining obligation owed to or claim against the Clearing Participant pursuant to the provisions of the preceding Article against any payment claim against or obligation owed to the Clearing Participant (including JSCC's obligation to return related to excess collateral against such Clearing Participant as set forth in the immediately preceding Paragraph and payment claim or obligation not based on these Business Rules) regardless of their due dates. The provisions of Paragraphs 2 to 8 shall apply *mutatis mutandis* to such case.
  11. The matters necessary for setoff prescribed in the preceding Paragraphs shall be prescribed by JSCC on each applicable occasion.

#### Section 4 Disposition of Defaulting Clearing Participant's Unsettled Contract

## (Article 80-2 JGB OTC Transaction Default Management Committee)

1. JSCC shall establish the JGB OTC Transaction Default Management Committee for the purpose of obtaining advice concerning the execution of Auctions for Default Settlement upon determination of the Default, Etc. of a Clearing Participant and other matters prescribed by JSCC in the Subordinate Rules (referred to as “Matters for Consultation” in the following Paragraph).
2. JSCC shall consult with the JGB OTC Transaction Default Management Committee about Matters for Consultation, and shall respect the advice of the Default Management Committee thereon.
3. JSCC shall appoint these Clearing Participants designated in the manner prescribed by JSCC in the Subordinate Rules as committee members of the JGB OTC Transaction Default Management Committee. In such case, JSCC shall impose duty of confidentiality upon such committee member.
4. In addition to the matters prescribed in the preceding three (3) Paragraphs, the powers and authorities, composition, the term of office of each committee member and method of operation of the JGB OTC Transaction Default Management Committee and other necessary matters shall be prescribed by JSCC in the Subordinate Rules.

## (Article 80-3 Auction for Default Settlement)

1. When JSCC determines the Default, Etc. of a Clearing Participant to have occurred, JSCC may hold an Auction for Default Settlement for the purpose of disposing of Positions subject to Default Settlement for which party is the relevant Defaulting Clearing Participant. 2. Auction for Default Settlement shall be classified in accordance with Auction for Default Settlement specified in each of the following Items and Position subject to Auction and the parties to participate in the Auction for Default Settlement specified in each item shall be prescribed in the relevant each Item.

## (1) Basket Auction for Default Settlement

Positions subject to Default Settlement shall be the Starting/Rewind JGB Delivery Obligation (Basket) (excluding those prescribed by JSCC in the Subordinate Rules) and the Ending/Unwind JGB Delivery Obligation (Basket)) (excluding those prescribed by JSCC in the Subordinate Rules) and the parties to participate in the Auction for Default Settlement shall be all Non-Defaulting Clearing Participants.

## (2) First Step Auction for Default Settlement

Positions subject to Default Settlement shall be Security Settlement Obligation

Related to Individual Issue Transaction and Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the parties to participate in the Auction for Default Settlement shall be Clearing Participants prescribed by JSCC in the Subordinate Rules.

(3) Second Step Auction for Default Settlement

Positions subject to Default Settlement shall be the Security Settlement Obligation Related to Individual Issue Transaction and the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the parties to participate in the Auction for Default Settlement shall be all Non-Defaulting Clearing Participants.

3. Before holding an Auction for Default Settlement, JSCC shall determine and advise Clearing Participants of the details of Subject Transactions for Auction (referring to Subsequent Collateral Allocation Repo Transaction, Buying and Selling of Japanese government bonds and Standard Repo Transaction to be executed through Auction for Default Settlement; the same applies hereinafter) and other terms and conditions of the Auction for Default Settlement in the manner prescribed by JSCC in the Subordinate Rules.
4. In addition to the provisions of the preceding three (3) Paragraphs, procedures for, method of operation of and other necessary matters related to Auctions for Default Settlement shall be prescribed by JSCC in the Subordinate Rules.

(Article 80-4 Mutual Discussion in case of Possible Deficiency in Loss Recovery)

1. In the case where an Auction for Default Settlement has been held and there is a possibility that the losses arising out of the Default, Etc. of the Defaulting Clearing Participant (meaning the losses incurred by JSCC on the claims which JSCC has against the Defaulting Clearing Participant pursuant to the provisions of Articles 79 and 80) as a result of the execution of the Subject Transactions for Auction may not be recovered in the manner prescribed from Articles 83 to 83-7, JSCC and the Clearing Participants shall discuss settlement of such losses in the manner prescribed by JSCC in the Subordinate Rules.
2. When, as a result of the mutual discussion pursuant to the provisions of the preceding Paragraph, an agreement is reached among JSCC and all Non-Defaulting Clearing Participants concerning settlement of the losses in the said Paragraph in the manner prescribed by JSCC in the Subordinate Rules, JSCC shall settle such losses in

accordance with such agreement, provided that the settlement shall enable it to recover such losses in full and shall secure uninterrupted operation of the JGB OTC Transaction Clearing Business by JSCC.

(Article 80-5 Closeout Netting of Unsettled Positions due to Failure of Mutual Discussion)

1. In the case where the mutual discussion is held pursuant to Paragraph 1 of the preceding Article but they fail to reach the agreement referred to in Paragraph 2 of the said Article within the period prescribed by JSCC in the Subordinate Rules, the amount obtained by netting the appraised values at that time calculated in the manner stipulated by JSCC in the Subordinate Rules of all of the Unsettled Monetary Positions and Unsettled Securities Positions existing between a Non-Defaulting Clearing Participant and JSCC as of the date on which such period expires, shall become a single obligation of JSCC owed to such Clearing Participant or a single obligation of such Clearing Participant owed to JSCC (hereinafter referred to as "Close-out Netting of Unsettled Positions").
2. Upon the Close-out Netting of Unsettled Positions pursuant to the provisions of the preceding Paragraph, the Amount Equal to Interest Settlement Obligation Related to Individual Issue Transaction and the Amount Equal to Interest Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. which has not become due at such time shall cease to exist at such time.
3. In the event of the Close-out Netting of Unsettled Positions pursuant to Paragraph 1, if any of the obligation to pay the price for buying and selling resulting from Buy-In as stipulated in Article 56, Paragraph 1, or the obligation to deliver Japanese government bonds related to Buy-In owed by the Clearing Participant pursuant to the provisions of Article 55 shall be subject to such Close-out Netting, the payment obligation related to the market value of the Security Settlement Obligation Related to Individual Issue Transaction or the payment obligation related to the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and the Security Settlement Obligation Related to Individual Issue Transaction or the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. in relation to the Fail for which such Buy-in is executed shall be excluded from the subject of such Close-out Netting regardless of the provisions of Paragraph 1, and shall cease to exist upon such Close-out Netting.
4. Necessary matters related to Close-out Netting of Unsettled Positions pursuant to the

preceding three (3) Paragraphs shall be prescribed by JSCC in the Subordinate Rules.

(Article 80-6 Notification, etc. in relation to Mutual Discussion)

When the agreement set forth in Article 80-4, Paragraph 2 is reached, or Close-out Netting of all Unsettled Positions is conducted pursuant to the provisions of Paragraph 1 of the preceding Article, JSCC shall immediately notify all Clearing Participants thereof.

(Article 80-7 Execution, etc. of Subject Transactions for Auction)

1. When a Clearing Participant makes a successful bid on Subject Transactions for Auction in an Auction for Default Settlement, such Subject Transactions for Auction shall be executed between JSCC and such Clearing Participant in accordance with the manner prescribed by JSCC in the Subordinate Rules.
2. When a Subject Transactions for Auction is executed in relation to First Step Auction for Default Settlement and Second Step Auction for Default Settlement, JSCC and the Clearing Participant referred to in the preceding Paragraph shall, pay/deliver and/or receive the Japanese government bonds and Money for the settlement of such Subject Transactions for Auction.
3. With respect to the Basket Auction for Default Settlement, Subject Transactions for Auction pursuant to the provisions in Paragraph 1 is executed, in applying the provisions stipulated in Article 50-2, the term "with respect to the JGB Delivery Obligation (Basket) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4))" shall be replaced with "with respect to the JGB Delivery Obligation (Basket) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4) and the JGB Delivery Obligation (Basket) owed by JSCC or a Clearing Participant the execution of Subject Transactions for Auction pursuant to the provisions in Article 80-7, Paragraph 1", "whenever JSCC or the relevant Clearing Participant assumes obligations" shall be replaced with "At the time prescribed in Article 44, Paragraph 2, Item (2) on the day immediately following the day on which the relevant Subject Transactions for Auction is executed", "with respect to the obligation to pay Money (excluding the Obligation To Pay the Amount Equal to Interest Amount Related to Repo Transactions, Etc.) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4)" in Paragraph 2 of the said Article shall be replaced with "with respect to the obligation to pay Money

(excluding the Obligation To Pay The Amount Equal to Interest Amount Related to Repo Transaction, Etc.) owed by JSCC or a Clearing Participant pursuant to the provisions of Article 44, Paragraph 1, Item (4), and the obligation to pay Money (excluding the Obligation to Pay the Amount Equal to Interest Amount Related to Repo Transaction, Etc.) owed by JSCC or a Clearing Participant by the execution of Subject Transactions for Auction pursuant to the provisions in Article 80-7, Paragraph 1” and “whenever JSCC or the relevant Clearing Participant assumes obligations” shall be replaced with “At the time prescribed in Article 44, Paragraph 2, Item (2) on the day immediately following the day on which the relevant Subject Transactions for Auction is executed”.

4. In addition to the provisions of the preceding three (3) Paragraphs, the provisions of these Business Rules, Etc. shall apply to the Subject Transactions for Auction that are executed pursuant to the provisions of Paragraph 1 as if they were Transactions subject to Clearing.
5. In addition to the provisions of each of the preceding Paragraphs, procedures to be taken when a Subject Transaction for Auction is executed shall be prescribed by JSCC in the Subordinate Rules.

(Article 81—Application of Customer Position Transfer Upon Default of JGB OTC Transaction Agency Clearing Participant Deleted)

- 1 In the event that JSCC determines an Default, Etc. in respect of a JGB OTC Transaction Agency Clearing Participant, a customer who commissions the Brokerage for Clearing of Securities, Etc. to the relevant JGB OTC Transaction Agency Clearing Participant, may Transfer the Customer Position related to the relevant customer to another JGB OTC Transaction Agency Clearing Participant (limited to the JGB OTC Transaction Agency Clearing Participant prescribed by JSCC herein or which the Acceleration of Due Dates as stipulated in Article 78 has not occurred; the same applies hereinafter in this Article and the following Article).
- 2 The Transfer stipulated in the preceding Paragraph shall be conducted for each Netting Account.
- 3 A customer shall, when it conducts the Transfer as stipulated in Paragraph 1, notify JSCC of the Netting Account which can be designated as the Receiving Account in advance through the JGB OTC Transaction Agency Clearing Participant in a manner prescribed by JSCC.
- 4 A customer shall, when it conducts the Transfer as stipulated in Paragraph 1, submit an

application of the relevant Transfer to the Receiving Clearing Participant.

5 A customer shall, when it obtains an approval as stipulated in the preceding Paragraph, submit an application of the Transfer to JSCC by noon on the Default Determination Date, in a manner prescribed by JSCC, through a Receiving Clearing Participant.

(Article 81-2 Completion of Customer Position Transfer Upon Default of JGB OTC Transaction Agency Clearing Participant)

1 JSCC shall, when it receives an application of the Transfer as stipulated in Paragraph 5 of the preceding Article and approves the details of the relevant application and other items prescribed by JSCC as appropriate, approve the relevant application by 2:00 P.M. on the relevant Default Determination Date.

2 When JSCC makes an approval as stipulated in the preceding Paragraph, it shall Transfer the relevant Customer Position to a Receiving Clearing Participant at the timing after 5:00 P.M. prescribed by JSCC and the relevant Transfer shall be deemed completed at such timing

3 When the Customer Position Transfer has completed pursuant to the provisions of the preceding Paragraph, among the Money and the Substituting Japanese Government Bonds related to the relevant Customer Position prescribed in each of the following Items, those deposited with JSCC with the Transferring Clearing Participant acting as an agent shall be deemed as deposited with JSCC with the Receiving Clearing Participant acting as an agent.

(1) Initial Margin

(2) JGB OTC Transaction Clearing Fund.

(3) Variation Margin.

(4) Default Contingent Margin

(5) Special Clearing Charge Collateral

4 When the Customer Position Transfer has completed pursuant to the provisions of Paragraph 2, the Transferring Account related to the relevant Transfer shall be terminated on the day when the relevant Transfer has completed..

5 When the Customer Position Transfer has completed pursuant to the provisions of Paragraph 2, the Receiving Account related to the relevant Transfer shall be opened on the day when the relevant Transfer has completed.

6 In respect of the Customer Position for which the Transfer has completed, when JSCC procures funds pursuant to the provisions of Article 74, during the period from a Default determination to the completion of the Transfer, shall be paid to JSCC by the Receiving Clearing Participant as the amount excluded from the calculation as stipulated in Article

79, Paragraph 1.

## Section 5 Sharing of Loss by Other Clearing Participants

(Article 82 Classification of Loss Sharing Method)

1. Recovery of Loss Resulting from Default by Non-Defaulting Clearing Participants shall be conducted in a manner as specified in each of the following Items:

- (1) Original Transactions Proration

The method where each Clearing Participant subject to Proration on Original Transactions shall contribute the amount determined by prorating Aggregate Loss subject to Original Transaction Proration, according to the proportion of the value of transactions to which a Trust Account held by such Clearing Participant subject to Original Transaction Proration is a party to the value of Transactions subject to Clearing (limited to those for which settlement related to the relevant Transactions subject to Clearing remained unsettled) of the Defaulting Clearing Participant causing the Loss Resulting from Default Settlement;

- (2) Clearing Fund Requirement Proration

The method where each Clearing Participant subject to Proration on Clearing Fund Requirement shall contribute the amount determined by prorating Aggregate Loss subject to Clearing Fund Requirement Proration, according to the Required JGB OTC Transaction Clearing Fund Amount for the relevant Clearing Participant subject to Proration on Clearing Fund Requirement (excluding the Required JGB OTC Transaction Clearing Fund Amount for Trust Account(s), if it has Trust Account(s)).

2. The amount of Loss Resulting from Default Settlement set forth in the preceding Paragraph shall be calculated on the day prescribed by JSCC in the Subordinate Rules (hereinafter referred to as the "Initial Loss-Determination Date") and upon such calculation, if there is any claim or obligation or collateral of which the amount is yet to be determined, JSCC shall carry out the calculation by reference to the amount tentatively set by JSCC as an estimated amount of such claim or obligation or collateral.

(Article 83 Recovery of Losses with First Tier JGB OTC Transaction Settlement Guarantee Reserve)

1. JSCC shall recover the Loss Resulting from Default Settlement (if Loss Resulting from Default Settlement is recovered pursuant to the provisions of Article 90-5 in advance, excluding the amount recovered by the relevant recovery; the same applies in this Article and Articles 83-1 through Article 83-7) by an application of First Tier JGB OTC Transaction Settlement Guarantee Reserve.
2. The amount of First Tier JGB OTC Transaction Settlement Guarantee Reserve applied as set forth in the preceding Paragraph shall be allocated to Original Transaction Proration and Clearing Fund Requirement Proration according to the proportion of the Aggregate Loss subject to Original Transaction Proration and the Aggregate Loss subject to Clearing Fund Requirement Proration.

(Article 83-2 Recovery of Losses with JGB OTC Transaction Clearing Fund and Second Tier JGB OTC Transaction Settlement Guarantee Reserve)

1. If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, JSCC shall recover such loss by an application of JGB OTC Transaction Clearing Fund deposited with JSCC by each Non-Defaulting Clearing Participant and the Second Tier JGB OTC Transaction Settlement Guarantee Reserve. In this case, the amount to be applied from JGB OTC Transaction Clearing Fund deposited with JSCC by Non-Defaulting Clearing Participant and the Second Tier JGB OTC Transaction Settlement Guarantee Reserve shall be determined in the following manner:
  - (1) The amount of Second Tier JGB OTC Transaction Settlement Guarantee Reserve to be applied pursuant to this Article (hereinafter referred to as "Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application") shall be determined by (a) multiplying the amount of Second Tier JGB OTC Transaction Settlement Guarantee Reserve by the ratio of the total amount of JGB OTC Transaction Clearing Fund deposited with JSCC by Clearing Participant to be applied to the loss recovery pursuant to this Article and Article 83-5 to the sum of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration and Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration, and then (b) prorating such amount according to the proportion of Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application and the amount to be applied in accordance with the provisions of Article 83-5 (hereinafter referred to as "Second Tier JGB OTC Transaction Settlement Guarantee Reserve

- Secondary Application”). In this case, Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application shall be allocated to Original Transaction Proration and Clearing Fund Requirement Proration.
- (2) Second Tier Total Amount Borne by Clearing Participants subject to Original Transaction Proration shall be obtained by deducting the amount applied from First Tier JGB OTC Transaction Settlement Guarantee Reserve and allocated to the Original Transaction Proration pursuant to the provisions of the immediately preceding Article and the portion of Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application allocated to Original Transaction Proration as set forth in the preceding Item from the Aggregate Loss subject to Original Transaction Proration.
- (3) The amount to be applied from JGB OTC Transaction Clearing Fund deposited with JSCC by an individual Clearing Participant subject to Original Transaction Proration shall be determined by multiplying the Second Tier Total Amount Borne by Clearing Participants subject to Original Transaction Proration by a contribution ratio applicable to each Clearing Participant subject to Original Transaction Proration calculated by JSCC according to the method prescribed in the Subordinate Rules; provided, however, that such amount shall not exceed the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration; provided, further, that if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied to cover loss of JSCC resulting from other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of this Article and Article 83-5, the said cap shall be the amount remaining after deducting the amount so applied from Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant or if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied pursuant to the provision in Article 90-5, the amount remaining after deducting the relevant amount corresponding to the portion included in Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration.
- (4) Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration shall be obtained by deducting the amount applied from First Tier JGB OTC Transaction Settlement Guarantee Reserve allocated in accordance with the Clearing Fund Proration pursuant to the provisions of the immediately

preceding Article and Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application allocated to Clearing Fund Requirement Proration as set forth in the Item (1) from the Aggregate Loss subject to Clearing Fund Requirement Proration.

(5) The amount to be applied from the JGB OTC Transaction Clearing Fund deposited with JSCC by an individual Clearing Participant subject to Clearing Fund Requirement Proration in the Clearing Fund Requirement Proration shall be the amounts set forth in a. through c. below in accordance with the order of the JGB OTC Transaction Clearing Funds set forth in a. through c. below:

a. JGB OTC Transaction Clearing Fund deposited with JSCC by Clearing Participant(s) subject to Clearing Fund Requirement Proration which had applied, but failed to participate in the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant or other First Step Auction for Default Settlement conducted during the Default Settlement Period in which the Default Determination Date related to the relevant Defaulting Clearing Participant belongs (only those conducted before the Auction for Default Settlement related to the relevant Defaulting Clearing Participant) (excluding the Clearing Participant who made successful bid in any of the above First Step Auction for Default Settlement, and participated in all First Step Auction for Default Settlement conducted thereafter) (referred to as "Subject Clearing Participant" in this a.):

Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration prorated according to Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to each Subject Clearing Participant (or, if Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration is equal to or more than the sum total of Second Tier Bearing Limit of Clearing Participants, subject to Clearing Fund Requirement Proration the amount equal to the Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to the relevant Subject Clearing Participant) (or, if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied to cover loss of JSCC resulting from other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of this Article, the amount remaining after deducting the amount so

applied or if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied pursuant to the provision in Article 90-5, the amount remaining after deducting the relevant amount corresponding to the portion included in Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration).

- b. JGB OTC Transaction Clearing Fund deposited with JSCC (after deduction of the amount prescribed by JSCC in the Subordinate Rules ) by the relevant Clearing Participant subject to Clearing Fund Requirement Proration (excluding those fall under a. above):
- c. Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration remaining after deducting the total amount applied pursuant to a. above, prorated according to Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to each Clearing Participant (after deduction of the amount prescribed by JSCC in the Subordinate Rules; the same applies hereinafter in this b.) (or, if such remaining amount is equal to or more than Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration, the amount equal to Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration applicable to the relevant Clearing Participant subject to Clearing Fund Requirement Proration) (or, if any part of the JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied to cover loss of JSCC resulting from other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of this Article, the amount remaining after deducting the amount so applied or if any part of the JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied pursuant to the provision in Article 90-5, the amount remaining after deducting the relevant amount corresponding to the portion included in Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration)  
JGB OTC Transaction Clearing Fund deposited with JSCC (the portion equivalent to the amount prescribed by JSCC in the Subordinate Rules) by the Clearing Participant subject to Clearing Fund Requirement Proration which made successful bid in the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant (excluding the Clearing Participant

which falls under a. above, or was subject to the provisions of a. above, or would have been subject to the provisions of a. above had the JGB OTC Transaction Clearing Fund been applied to loss recovery, with respect to the Default, Etc. determined during the Default Settlement Period in which the Default Determination Date related to the relevant Defaulting Clearing Participant belongs, for which the First Step Auction for Default Settlement has been conducted before the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant and for which the First Auction was conducted most recently):

Second Tier Total Amount Borne by Clearing Participants subject to Clearing Fund Requirement Proration remaining after deducting total amount applied according to a. and b. above, prorated according to the amount prescribed by JSCC in the Subordinate Rules (if such amount is equal to or more than the total amount of the Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration of each of the relevant Clearing Participant (limited to the portion equivalent to the amount prescribed by JSCC in the Subordinate Rules; the same applies hereinafter in this c.), Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration of each of the relevant Clearing Participant) (or, if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied to cover loss of JSCC resulting from other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of this Article, the amount remaining after deducting the amount so applied or if any part of JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant is applied pursuant to the provision in Article 90-5, the amount remaining after deducting the relevant amount corresponding to the portion included in Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration).

2. Each Non-Defaulting Clearing Participant shall be obliged to pay to JSCC the amount to be applied from the JGB OTC Transaction Clearing Fund deposited by it with JSCC pursuant to the preceding Paragraph, and the application of the JGB OTC Transaction Clearing Fund pursuant to the preceding Paragraph shall be automatically made on the Initial Loss-Determination Date without separate indication of intention of JSCC and

each Non-Defaulting Clearing Participant by offsetting the claim held by JSCC corresponding to such obligations and the right to claim a return of JGB OTC Transaction Clearing Fund held by each Clearing Participant who owes such obligations in the amount equivalent to such obligations.

(Article 83-3 Special Provisions for JGB OTC Transaction Clearing Fund in Default Settlement Period)

1. Notwithstanding the provisions of the Subordinate Rules of JSCC pursuant to Article 70-6, the Required JGB OTC Transaction Clearing Fund Amount of each Clearing Participant during the Default Settlement Period shall be the Required JGB OTC Transaction Clearing Fund Amount of each such Clearing Participant on the day immediately preceding the date on which such Default Settlement Period commences.
2. In the case where the JGB OTC Transaction Clearing Fund is applied in whole or in part during the Default Settlement Period pursuant to Paragraph 1 of the preceding Article, notwithstanding the provisions of Article 70-5, a Clearing Participant shall not be obliged to make additional deposit of JGB OTC Transaction Clearing Fund in the amount equivalent to such application until the Default Settlement Period ends.
3. Notwithstanding the provisions of Paragraph 1 above, the Required JGB OTC Transaction Clearing Fund Amount of each Clearing Participant on the last day of the Default Settlement Period shall be the Required JGB OTC Transaction Clearing Fund Amount of each such Clearing Participant calculated on the last day of such Default Settlement Period, which shall apply through the day immediately preceding the day on which the Required JGB OTC Transaction Clearing Fund Amount is newly calculated pursuant to the Subordinate Rules of JSCC in accordance with Article 70-5. In this case, if the amount of JGB OTC Transaction Clearing Fund and Default Contingent Margin deposited by each Clearing Participant with JSCC on the last day of the Default Settlement Period falls short of the Required JGB OTC Transaction Clearing Fund Amount on the last day of the Default Settlement Period calculated pursuant to the provisions of Paragraph 1 above, each such Clearing Participant shall deposit with JSCC an amount at least equal to such shortfall in a manner prescribed by JSCC.

(Article 83-4 Recovery of Losses with Third Tier Special Clearing Charge)

If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in Article 83-2, all Non-Defaulting Clearing Participants existing on the Default

Determination Date (hereinafter referred to as “Participants Bearing Third Tier Special Clearing Charge” in this Article) shall assume the obligation to pay the Third Tier Special Clearing Charge to JSCC in the amount prescribed by JSCC in the Subordinate Rules in a manner prescribed by JSCC in the Subordinate Rules. In this case, JSCC shall apply such Third Tier Special Clearing Charges paid by those Participants Bearing Third Tier Special Clearing Charge to recover the outstanding Loss Resulting from Default Settlement.

(Article 83-5 Recovery of Losses with Unapplied Amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration and Second Tier JGB OTC Transaction Settlement Guarantee Reserve)

1. If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, JSCC shall recover such remaining losses with JGB OTC Transaction Clearing Fund deposited with JSCC by Clearing Participants subject to Original Transaction Proration (capped at the unapplied portion of the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant (meaning the portion of the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant which has not been applied pursuant to the provisions of Article 83-2 and Article 90-5; the same applies in this Article)) and the application of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve.
2. The amount to be applied from the JGB OTC Transaction Clearing Fund deposited with JSCC by a Clearing Participant subject to Original Transaction Proration shall be, according to the below-listed order of the JGB OTC Transaction Clearing Fund, the amount as described below:
  - (1) JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant subject to Original Transaction Proration:

The amount remaining after deducting Second Tier JGB OTC Transaction Settlement Guarantee Reserve Secondary Application from the remaining loss as set forth in the preceding Paragraph allocated to each Clearing Participant according to the unapplied amount (after deducting the amount prescribed by JSCC in the Subordinate Rules) of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to each Clearing Participant in the manner prescribed by JSCC in the Subordinate Rules (to be capped at an

unapplied amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant (after deducting the amount prescribed by JSCC in the Subordinate Rules));

- (2) JGB OTC Transaction Clearing Fund deposited with JSCC by the Clearing Participant subject to Original Transaction Proration whose bid on Subject Transactions for Auction was successful in the Second Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant;

The amount remaining after deducting Second Tier JGB OTC Transaction Settlement Guarantee Reserve Secondary Application and the aggregate amount applied pursuant to Item (1) above from the remaining loss as set forth in the preceding Paragraph prorated according to the amount prescribed by JSCC in the Subordinate Rules (to be capped at the amount prescribed by JSCC for the relevant Clearing Participant in the Subordinate Rules; provided, that if such amount is equal to or more than the amount remaining after deducting the amount applied from JGB OTC Transaction Clearing Fund deposited with JSCC by the relevant Clearing Participant to recover JSCC's loss arising as a result of other Default, Etc. determined during the same Default Settlement Period pursuant to the provisions of Articles 83-2 and this Article from the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration, to be capped at the amount remaining after such deduction).

(Article 83-6 Recovery of Losses with Unapplied Amount of Third Tier Special Clearing Charge of Clearing Participants subject to Original Transaction Proration)

If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, the Clearing Participants whose Third Tier Special Clearing Charge determined by JSCC pursuant to the provisions of Article 83-4 is less than unapplied amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant (referring to the portion of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration applicable to the relevant Clearing Participant not applied from JGB OTC Transaction Clearing Fund pursuant to the provisions of Articles 83-2, the preceding Article and Article 90-5, and not applied from Third Tier Special Clearing Charge pursuant to the provisions of the preceding Article) (such Clearing Participant shall be referred to as "Participant Bearing Third Tier Special Clearing Charge" in this

Article and Article 90-6) shall bear an obligation to pay JSCC the Third Tier Special Clearing Charge (Additional Portion) prescribed by JSCC in the Subordinate Rules in a manner prescribed by JSCC in the Subordinate Rules. In this case, JSCC shall recover such loss with the Third Tier Special Clearing Charge (Additional Portion) paid by the Clearing Participant subject to Original Transaction Proration.

(Article 83-7 Recovery of Losses with Fourth Tier Special Clearing Charge)

1. If the Loss Resulting from Default Settlement is not fully recovered in the manner set forth in the preceding Article, each Non-Defaulting Clearing Participant existing on the Default Determination Date shall pay the Fourth Tier Special Clearing Charge to JSCC in the manner prescribed by JSCC in the Subordinate Rules, if the total amount of the Variation Margin, Etc. (meaning the amount prescribed by JSCC in the Subordinate Rules; the same applies in this Article) in respect of all Transactions subject to Clearing that have existed from the Default Determination Date through the Initial Loss-Determination Date (including the Transactions subject to Clearing the obligation of which is assumed after the Default Determination Date and the Transactions subject to Clearing the settlement of which have been completed before the Initial Loss-Determination Date; the same applies hereinafter) to be received by such Clearing Participant exceeds the total amount of the Variation Margin, Etc. in respect of the said all Transactions subject to Clearing to be paid by such Clearing Participant (such Clearing Participant shall be referred to as "Participant Bearing Fourth Tier Special Clearing Charge" in this Article and Article 90-6) . In this case, JSCC shall apply such Fourth Tier Special Clearing Charges paid by the Participants Bearing Fourth Tier Special Clearing Charge to recover the outstanding Loss Resulting from Default Settlement.
2. The amount of "Fourth Tier Special Clearing Charge" set forth in the preceding Paragraph shall be the amount prescribed by JSCC in the Subordinate Rules, provided that such amount shall not exceed the amount of losses incurred in relation to the Positions subject to Default Settlement being prorated to each such Participant Bearing Fourth Tier Special Clearing Charge according to the amount of its gain. For the purpose hereof, "losses incurred in relation to the Positions subject to Default Settlement" shall be the positive (and shall only be a positive and not negative) value obtained by deducting the aggregate amount of Variation Margin, Etc. due from the Clearing Participant to JSCC from the aggregate amount of Variation Margin, Etc. due from JSCC

to the Clearing Participant in respect of unsettled positions corresponding to the Positions subject to Default Settlement, such value being obtained as of each day which falls between the Default Determination Date (or, where the settlement of Positions subject to Default Settlement between JSCC and the Defaulting Clearing Participant have been fully completed on the Default Determination Date, the day immediately following the Default Determination Date; the same applies in this Paragraph) and the Initial Loss-Determination Date, and provided further, "its gain" shall be the positive (and shall only be a positive and not negative) value obtained by deducting the aggregate amount of Variation Margin, Etc. due to such Participant Bearing Fourth Tier Special Clearing Charge from the aggregate amount of Variation Margin, Etc. payable by it in respect of all Transactions subject to Clearing to which such Participant Bearing Fourth Tier Special Clearing Charge is a party, such value being obtained for the period from the Default Determination Date to the Initial Loss-Determination Date.

(Article 83-8 Deposit of Special Clearing Charge Collateral)

1. Each Clearing Participant shall post the following Special Clearing Charge Collateral with JSCC in the manner prescribed by JSCC in the Subordinate Rules, for the purpose of securing the obligations as set forth below (hereinafter referred to as "Secured Obligations" in Paragraph 2 of this Article) according to below-listed classification of Special Clearing Charge Collateral:
  - (1) Third Tier Special Clearing Charge Collateral: To be applied to secure the obligation to pay the Third Tier Special Clearing Charge; and
  - (2) Fourth Tier Special Clearing Charge Collateral: To be applied to secure the obligation to pay the Fourth Tier Special Clearing Charge.
2. JSCC may apply Special Clearing Charge Collateral to satisfy the Secured Obligations in the manner prescribed by these Business Rules, Etc.

(Article 83-9 Deposit of Default Contingent Margin)

1. Non-Defaulting Clearing Participant shall deposit Default Contingent Margin with JSCC for the purpose of securing the obligations borne by such Non-Defaulting Clearing Participant against JSCC in connection with Transactions subject to Clearing.
2. Required amount of Default Contingent Margin of a Non-Defaulting Clearing Participant shall be prescribed by JSCC in the Subordinate Rules.
3. In the case where there exists Default Contingent Margin actually deposited with JSCC

by a Non-Defaulting Clearing Participant at the end of a Default Settlement Period, the entire amount of such Default Contingent Margin shall be deemed to be returned to such Clearing Participant at such time and the JGB OTC Transaction Clearing Fund in the amount equivalent to such Default Contingent Margin shall be deemed to be deposited with JSCC by such Clearing Participant.

4. The provisions of Articles 70-5 , Paragraph 2 and 70-8 (excluding the phrase “(limited to the amount exceeding the amount prescribed by JSCC)” in Article 70-8, Paragraph 1) shall be applied *mutatis mutandis* to Default Contingent Margin.

(Article 83-10 Failure to Post Special Clearing Charge Collateral)

If a Clearing Participant fails to post the Special Clearing Charge Collateral pursuant to the provisions of Article 83-8, Paragraph 1, the provisions in this Chapter shall apply as if occurrence of Default, Etc. of such Clearing Participant had been determined.

(Article 83-11 Adjustment upon Determination of Final Loss)

1. In respect of the Defaulting Clearing Participant’s Monetary Payment/Return Obligations and JGB Delivery/Return Obligations to JSCC, in the case where the amount of JSCC’s claim to a Defaulting Clearing Participant has been determined pursuant to the provisions of Article 79 or 80 and such amount of claim is in excess of the amount of Loss Resulting from Default Settlement, JSCC shall recover the loss of JSCC corresponding to the amount of the excess in the order of Article 90-5, Article 83, Article 83-2, and from Articles 83-4 through 83-7, and in the manner set forth in each of such Articles, on the day on which the amount of such claim is determined.
2. Matters necessary to prescribe in connection with the recovery of the loss pursuant to the provisions of the preceding Paragraph shall be prescribed by JSCC in the Subordinate Rules.

(Article 84 Distribution of Amount Collected from Defaulting Clearing Participants)

1. In the case where default settlement procedures are taken in respect of a Defaulting Clearing Participant, JSCC shall distribute the following amounts to the Clearing Participants (limited only to those prescribed in the Subordinate Rules of JSCC) in each of the following cases in a manner prescribed in the Subordinate Rules:
  - (1) In the case where JSCC receives payment or dividend in respect of its claim to the Defaulting Clearing Participant pursuant to the provisions of Article 79 or 80:

The amount of such payment and dividend

- (2) In the case where the amount of JSCC's claim to the Defaulting Clearing Participant set forth in Item (1) above is determined and when the amount of the Loss Resulting from Default Settlement is greater than the amount of such claim:

The excess amount

2. In the case where there is no Clearing Participant eligible to receive distribution of the amount set forth in each Item of the preceding Paragraph, such amount shall be disposed of in the manner prescribed by JSCC in the Subordinate Rules.

## Section 6 Miscellaneous Clauses

(Article 84-2 Handling of Fails in the Case of Determination of Default, Etc.)

1. When JSCC determines Default, Etc. of a delivering Clearing Participant, for the settlements between JSCC and a receiving Clearing Participant as stipulated in Article 50-11, the settlements specified by JSCC shall be executed on the day prescribed by JSCC.
2. A delivering Clearing Participant in the preceding Paragraph shall, with respect to the settlements specified by JSCC pursuant to the provisions of the preceding Paragraph, pay the Money equal to the amount of Money specified in each of the following Items, which JSCC pays to a receiving Clearing Participant, immediately after fixing of such Money amount:
  - (1) Fails Charges;
  - (2) Money in the amount equal to interest as stipulated in Article 53; and
  - (3) Interest as stipulated in Article 67, Paragraph 1 in relation to Variation Margin related to Fail as stipulated in Article 66.

(Article 84-3 Handling of Fails related to Subject Transactions for Auction Constituted by Auction for Default Settlement)

With respect to the settlement stipulated in Article 80-7, Paragraph 2, when Japanese government bonds are not delivered from the Clearing Participant who becomes a successful bidder to JSCC on the Settlement Day of the relevant settlement, the settlement between JSCC and a receiving Clearing Participant specified by JSCC as stipulated in Article 50-11 shall be executed on the day prescribed by JSCC.

## (Article 85 Special Rule for Non-performance of Obligation to Pay)

1. When a Clearing Participant submits a prior written notice to the effect that it is difficult for the Clearing Participant to perform the Obligation to Pay Related to Participants Settlement of such Clearing Participant by the settlement cutoff time of such obligation due to the Clearing Participant's system failure, occurrence of a disaster or other unavoidable reasons, but that there is no obstacle to perform such obligation to pay in full, and if JSCC deems it appropriate, JSCC shall suspend the determination of the Default, Etc. in respect of the non-performance of such obligation to pay until the time limit prescribed by JSCC on each applicable occasion; provided, however, that foregoing shall not apply to the case where JSCC deems that any of the Items of Paragraph 1 or 2 of Article 78 (excluding Paragraph 1, Item (7)) is applicable.
2. When the notice as stipulated in the preceding Paragraph is submitted, JSCC shall notify the relevant Clearing Participant of the appropriateness/inappropriateness to apply the provisions as stipulated in the preceding Paragraph, and if JSCC considers it appropriate, the time limit as stipulated in the preceding Paragraph.

## (Article 85-2 Relationship with Master Agreement in Respect of Repo Transactions of Bonds, Etc.)

In the event of any inconsistency between any of the provisions set forth in the Master Agreement in Respect of Repo Transactions of Bonds, Etc. or other agreement executed between JSCC and a Clearing Participant and the provisions of these Business Rules, Etc., the provisions of these Business Rules, Etc. shall prevail.

## (Article 85-3 Delegation to Subordinate Rules)

In addition to those prescribed in this Chapter, matters necessary to prescribe in connection with default settlement of a Clearing Participant shall be prescribed by JSCC in the Subordinate Rules.

## Chapter 11 Netting Account

## (Article 86 Netting Account)

1. A Clearing Participant shall use Netting Account for all their payment/receipt of Money in performing the Obligation to Pay Related to Participants Settlement to/from JSCC and other payment/receipt of Money or delivery/receipt of Japanese government bonds

to/from JSCC under these Business Rules.

2. The Netting Account shall be the following three (3) types, such as Ordinary Account, Repo Transactions Only Account and Subsequent Collateral Allocation Repos Only Account, as stipulated in each of the following Items.
  - (1) Ordinary Account shall be the account with which the process specified in the preceding Paragraph for all Transactions subject to Clearing can be executed.
  - (2) Repo Transactions Only Account shall be the account with which the process specified in the preceding Paragraph can be executed, for Cash-secured Lending Transaction, Etc. and Repo Transaction, Etc. (excluding those for which obligations are assumed pursuant to the provisions in Article 44, Paragraph 1, Item (2)B), Item (3)B) or (3)C) of the said Paragraph or Article 45, Paragraph 1, Item (2)B), Item (3)B) of the said Paragraph).
  - (3) Subsequent Collateral Allocation Repos Only Account shall be the account with which the process specified in the preceding Paragraph can be executed for Subsequent Collateral Allocation Repo Transaction, Etc.
3. A Clearing Participant shall notify JSCC of type of Netting Account by each Netting Account, upon opening Netting Account, in a manner prescribed by JSCC.
4. A Clearing Participant which is the trustee of a trust shall use the Netting Account, for transactions related to the trust delegated to it. .

(Article 87 Application for Additional Netting Account)

1. A Clearing Participant which has several Netting Accounts with JSCC shall use a separate Netting Account for each payment/receipt of Money in performing the Obligation to Pay Related to Participants Settlement to/from JSCC and other payment/receipt of Money or delivery/receipt of Japanese government bonds to/from JSCC under these Business Rules.
2. A Clearing Participant shall, when it intends to open an additional Netting Account with JSCC, submit an application for an additional Netting Account in accordance with the relevant rules of JSCC in advance, specifying the type of Netting Account stipulated in Article 86, Paragraph 2.
3. Upon receipt of the application as stipulated in the preceding Paragraph, JSCC shall approve the use of such Netting Account by such Clearing Participant, designating the starting day of the use of such Netting Account.

## (Article 88 Application for Closing Netting Account)

1. When a Clearing Participant which received approval for an additional Netting Account pursuant to the provisions of Paragraph 3 of the preceding Article intends to close such Netting Account, it shall submit to JSCC an application for closing Netting Account in advance in accordance with the relevant rules of JSCC.
2. The provisions of Paragraph 3 of the preceding Article shall apply *mutatis mutandis* to the closing of a Netting Account as stipulated in the preceding Paragraph.

## (Article 89 Special Rule for Trust Account)

1. In the Case that a Clearing Participant has Trust Accounts, the provisions of Article 78, Paragraph 1 shall apply with respect to each of (i) the Netting Accounts other than the Trust Accounts, and (ii) each Trust Account for which Item (7) of said Paragraph is applicable.
2. In the case that a Clearing Participant has Trust Accounts, the provisions of Article 78, Paragraph 2 shall apply with respect to each of (i) the Netting Accounts other than the Trust Accounts and (ii) each Trust Account.
3. The provisions of Article 79 shall not apply to the Trust Accounts.

## (Article 90 Special Rule for Clearing Participant Which Has Several Netting Accounts)

1. When applying the provisions listed in the left column of the following table (including cases where such provisions are referred to in these Business Rules) to a Clearing Participant which has several Netting Accounts, the terms as stipulated in the middle column of said table shall be replaced with the terms as stipulated in the right column of said table:

Article 2, Item (16)	Monetary Payment/Return Obligation	Monetary Payment/Return Obligation for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 2, Item (29)	JGB Delivery/Return Obligation	JGB Delivery/Return Obligation for each Netting Account
	between JSCC and a Clearing	between JSCC and a Clearing

	Participant	Participant for each Netting Account
Article 2, Item (31)	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
	deposit with JSCC	deposit with JSCC for each Netting Account
Article 2, Item (40)	Obligation To Pay Related to Participants Settlement	Obligation To Pay Related to Participants Settlement for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 2, Item (60)	Second Tier Bearing Limit of Clearing Participants subject to Original Transaction Proration	Second Tier Bearing Limit of Clearing Participants subject to Original Transaction Proration for each Netting Account
	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
Article 2, Item (61)	Second Tier Bearing Limit of Clearing Participants subject to Clearing Fund Requirement Proration	Second Tier Bearing Limit of Clearing Participants subject to Clearing Fund Requirement Proration for each Netting Account
	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund deposited with JSCC for each Netting Account
Article 2, Item (73)	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
	a Clearing Participant is	a Clearing Participant is, for each Netting Account,
Article 2, Item	Unsettled Monetary Positions	Unsettled Monetary Positions for

(99)		each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing for each Netting Account
Article 2, Item (100)	Unsettled Securities Positions	Unsettled Securities Positions for each Netting Account
	between JSCC and a Clearing Participant	between JSCC and a Clearing Participant for each Netting Account
Article 46	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 46-2	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 46-3	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-2	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-3, Paragraph 1	shall notify	shall, for each Netting Account, notify
Article 50-4	shall allocate	Shall, for each Netting Account, allocate
Article 50-5	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-6	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 50-7	for each Clearing Participant	for each Netting Account of a Clearing Participant
Article 65	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
Article 66	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
Article 67	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
Article 68	same Clearing Participant	same Netting Account of the same

		Clearing Participant
Article 70	Clearing Participant shall	Clearing Participant shall, for each Netting Account,
	the amount of Initial Margin	the amount of Initial Margin for each Netting Account
	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
Article 70-3, Paragraph 1	Clearing Participant may	Clearing Participant may, for each Netting Account,
	the amount of Initial Margin	the amount of Initial Margin for each Netting Account
	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
Article 70-3, Paragraph 2	Initial Margin	Initial Margin for each Netting Account
Article 70-5	Clearing Participant shall	Clearing Participant shall , for each Netting Account,
Article 70-7	The Clearing Participant may	The Clearing Participant may, for each Netting Account,
	the JGB OTC Transaction Clearing Fund	the JGB OTC Transaction Clearing Fund for each Netting Account
	the Required JGB OTC Transaction Clearing Fund Amount	the Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
Article 70-8, Paragraph 1	the amount prescribed by JSCC	the amount prescribed by JSCC for each Netting Account
Article 73	for each Clearing Participant	for each Clearing Participant for each Netting Account
Article 78, Paragraph 1	all obligations	all obligations (when Item (7) is applicable, limited to the obligations related to such Netting Account)
	Obligation to Pay Related to Participants Settlement	Obligation to Pay Related to Participants Settlement for each

		Netting Account
Article 79, Paragraph 1	all of the outstanding Monetary Payment/Return Obligations and JGB Delivery/Return Obligation	all of the outstanding Monetary Payment/Return Obligations and JGB Delivery/Return Obligation for each Netting Account
	single obligation	single obligation for each Netting Account
Article 80, Paragraph 1	Obligation to Pay Related to Participants Settlement	Obligation to Pay Related to Participants Settlement for each Netting Account
	obligations to JSCC	obligations to JSCC for each Netting Account
	obligations to such Clearing Participant	obligations to such Clearing Participant for each Netting Account
Article 80, Paragraph 2	Clearing Participant's obligations owed to JSCC	Clearing Participant's obligations owed to JSCC for each Netting Account
	Obligation to Pay Related to Participants Settlement	Obligation to Pay Related to Participants Settlement for each Netting Account
	obligations owed to such Clearing Participant	obligations owed to such Clearing Participant for each Netting Account
	JSCC's Monetary Payment/Return Obligations	JSCC's Monetary Payment/Return Obligations to a Clearing Participant for each Netting Account
	obligation to return the Remaining Quantity of Substituting Initial Margin Deposit	obligation to return the Remaining Quantity of Substituting Initial Margin Deposit to a Clearing Participant for each Netting Account

	obligation to return the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit	obligation to return the Remaining Quantity of Substituting JGB OTC Transaction Clearing Fund Deposit to a Clearing Participant for each Netting Account
	obligation to return the Remaining Quantity of Substituting Default Contingent Margin Deposit	obligation to return the Remaining Quantity of Substituting Default Contingent Margin Deposit to a Clearing Participant for each Netting Account
	Security Settlement Obligation Related to Individual Issue Transaction	Security Settlement Obligation Related to Individual Issue Transaction for each Netting Account
	Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc.	Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. for each Netting Account
	Starting/Rewind JGB Delivery Obligation (Basket)	Starting/Rewind JGB Delivery Obligation (Basket) for each Netting Account
	Ending/Unwind JGB Delivery Obligation (Basket)	Ending/Unwind JGB Delivery Obligation (Basket) for each Netting Account
	obligation to deliver Japanese government bonds	obligation to deliver Japanese government bonds for each Netting Account
Article 80-5, Paragraph 1	Unsettled Monetary Positions and Unsettled Securities Positions	Unsettled Monetary Positions and Unsettled Securities Positions for each Netting Account
	a single obligation	a single obligation for each Netting Account
Article 83-2,	JGB OTC Transaction Clearing	JGB OTC Transaction Clearing

Paragraph 1, Item (3)	Fund deposited with JSCC	Fund for each Netting Account deposited with JSCC
	contribution ratio	contribution ratio for each Netting Account
	Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration	Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration for each Netting Account
Article 83-2, Paragraph 1, Item (5)	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund for each Netting Account deposited with JSCC
	Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration	Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration for each Netting Account
	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
Article 83-2, Paragraph 2	JGB OTC Transaction Clearing Fund deposited	JGB OTC Transaction Clearing Fund for each Netting Account deposited
Article 83-3	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
	Default Contingent Margin deposited	Default Contingent Margin deposited for each Netting Account
	each such Clearing Participant shall deposit with JSCC	each such Clearing Participant shall deposit with JSCC for each Netting Account
Article 83-4	the amount prescribed by JSCC	the amount prescribed by JSCC for each Netting Account
Article 83-5	JGB OTC Transaction Clearing Fund deposited with JSCC	JGB OTC Transaction Clearing Fund for each Netting Account

		deposited with JSCC
Article 83-6	Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration	Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration for each Netting Account
	determined by JSCC	determined by JSCC for each Netting Account
Article 83-7	Variation Margin, Etc.	Variation Margin, Etc. for each Netting Account
	its gain	its gain for each Netting Account
	the amount prescribed by JSCC in the Subordinate Rules	the amount prescribed by JSCC in the Subordinate Rules for each Netting Account
Article 83-8	Each Clearing Participant shall post	Each Clearing Participant shall post for each Netting Account
Article 83-9, Paragraph 1	Non-Defaulting Clearing Participant shall deposit	Non-Defaulting Clearing Participant shall deposit for each Netting Account
Article 83-9, Paragraph 2	Required amount of Default Contingent Margin	Required amount of Default Contingent Margin for each Netting Account
Article 83-9, Paragraph 3	at the end of	for each Netting Account at the end of

2. If a Clearing Participant opens Trust Accounts, the provisions in Article 50-2 to Article 50-7 shall apply, deeming a single netting unit (referring to a unit specified by Netting Account and the matters classifying unit of netting, as stipulated in article 40, Paragraph 2, Item 4 B) as a single Netting Account.
3. A Clearing Participant which has Trust Accounts may designate a combination of Trust Accounts (hereinafter referred to as create an Initial Margin Group and allocate one or more Trust Accounts to each of such Initial Margin Groups.
4. When a Clearing Participant intends to create or cancel the creation of an Initial Margin Group, the Clearing Participant shall notify JSCC thereof in accordance with the relevant rules of JSCC in advance.

5. When a Clearing Participant has an Initial Margin Group, one (1) Initial Margin Group shall be deemed to be one (1) Netting Account in applying the provisions of Articles 70 to 70-8, Articles 73, 78,80 and Articles 83-2 to 83-9 as well as Article 86、 Paragraph 2 and paragraph 3. .

#### Chapter 11-2 Clearing Fund Sponsored Scheme

##### (Article 90-2 Clearing Fund Sponsored Scheme)

Notwithstanding the provisions of Article 70-5, a Clearing Participant may have other single or multiple Clearing Participant(s) deposit the JGB OTC Transaction Clearing Fund for a Netting Account which have been opened, using the Clearing Fund Sponsored Scheme.

##### (Article 90-3 Application to use the Clearing Fund Sponsored Scheme)

1. A Sponsored Participant shall, when it intends to use the Clearing Fund Sponsored Scheme, submit an application, in the manner as prescribed by JSCC, specifying the items listed in the following Items, together with a Clearing Participant who intends to be a Sponsoring Participant (including a Clearing Participant who intends to become a relevant Back-up Sponsoring Participant, in case of appointing a Back-up Sponsoring Participant set forth in Item (4) ; the same applies hereunder in this Article).
  - (1) Sponsored Netting Account
  - (2) Sponsoring Participant
  - (3) Sponsored Netting Account
  - (4) In case of appointing a Clearing Participant who is newly to become a Sponsoring Participant (hereinafter referred to as the "Back-up Sponsoring Participant") in advance, when the appointed Clearing Participant in Item (2) becomes unable to deposit the JGB OTC Transaction Clearing Fund, the relevant Back-up Sponsoring Participant.
  - (5) When appointing multiple Sponsoring Participants, a ratio used when prorating Required JGB OTC Clearing Fund related to a Sponsored Netting Account to each Sponsoring Participant (hereinafter referred to as the "Sponsored Clearing Fund Proration Ratio")
2. JSCC shall, when an application in the preceding Paragraph is submitted and it acknowledges that a Clearing Participant who intends to become a Sponsoring

Participant satisfy the requirements listed in each of the following Items (excluding Item (1), if such Clearing Participant is a Clearing Participant for which the Guarantee by Parent Company Etc. is extended by its Parent Company Etc.) , approve the relevant application.

- (1) The amount of its net worth (jun zaisan) (in the case of an entity that is not a Financial Instruments Business Operator, the amount of its net assets (jun shisan)) is not less than ten billion (10,000,000,000) yen;
  - (2) It employs the adequate business structure to deposit the JGB OTC Transaction Clearing Fund for a Sponsored Participant.
3. A Sponsored Participant shall, when it intends to change the appointed Sponsoring Participant(s) (including a Back-up Sponsoring Participant; the same applies hereinunder in this Article) be required to submit an application to JSCC, in the manner as prescribed by JSCC.
  4. A Sponsored Participant shall, when all Sponsoring Participants cease to exist, a Sponsored Participant will be required to submit an application to appoint a new Sponsoring Participant promptly; provided, however, when the relevant Sponsored Participant has appointed a Back-up Sponsoring Participant in advance, JSCC shall deem the said Sponsored Participant has submitted an application to appoint the relevant Back-up Sponsoring Participant as a Sponsoring Participant.
  5. JSCC shall, when an application in the preceding two Paragraphs has been made, if a Sponsoring Participant who desires to be a Sponsoring Participant satisfy the requirements prescribed in each Item in Paragraph 2, approve the relevant application.

(Article 90-4 Obligation to Deposit the JGB OTC Clearing Fund in Case of Using the Clearing Fund Sponsored Scheme)

1. Notwithstanding the provisions of Article 70-5, a Sponsoring Participant shall deposit the JGB OTC Transaction Clearing Fund related to a Sponsored Netting Account.
2. In case of the preceding Paragraph, even when the amount of JGB OTC Transaction Clearing Fund deposited by a Sponsoring Participant falls short of the Required JGB OTC Transaction Clearing Fund Amount, if the relevant Sponsoring Participant does not deposit the additional amount not less than the relevant shortage amount, a Sponsored Participant shall deposit the amount not less than the amount determined by JSCC as the amount related to the Sponsored Netting Account out of the relevant

shortage amount. In such case, the Money deposited by the Sponsored Participant shall be the JGB OTC Transaction Clearing Fund of the relevant Sponsored Participant.

(Article 90-5 Recovering of Loss by the JGB OTC Transaction Clearing Fund deposited by a Sponsoring Participant)

JSCC shall, when a Sponsored Participant becomes a Defaulting Clearing Participant, notwithstanding the provisions of Article 83, Paragraph 1, recover the Loss Resulting From Default Settlement by an application of the Clearing Fund deposited with JSCC by a Sponsoring Participant, before an application of the First Tier JGB OTC Transaction Settlement Guarantee Reserve. In such case, an application of the JGB OTC Transaction Clearing Fund shall be capped at the JGB OTC Transaction Clearing Fund for a Sponsored Netting Account, calculated deeming the Clearing Fund Scheme has not been used (when multiple Sponsoring Participants have been appointed for the relevant Sponsored Netting Account, the amount obtained by the relevant amount multiplying by the Sponsored Clearing Fund Proration Ratio (if total Sponsored Clearing Fund Proration Ratio for remaining Sponsoring Participants becomes less than one (1), due to Default, Etc. with respect to any part of Sponsoring Participants, the Sponsored Clearing Fund Proration Ratio shall be the value obtained by dividing the Sponsored Clearing Fund Proration Ratio of each Sponsoring Participant divided by the total Sponsored Clearing Fund Proration Ratio; the same applies to hereinafter).

(Article 90-6 Special Provisions for Recovering the Loss Incurred by Non-Defaulting Clearing Participant)

Notwithstanding the provisions of Article 83-2, Article 83-4 and Article 83-5, when a Clearing Participant other than a Sponsored Participant or a Sponsoring Participant is a Defaulting Clearing Participant, the amount listed in the left column in the following table related to the relevant Sponsored Participant and the relevant Sponsoring Participant shall be zero (0), for the relevant Sponsored Participant and the amount listed in the right column in the relevant table, for the Sponsoring Netting Account. In such case, the calculation pursuant to the provisions in Article 83-2, Paragraph 1, Article 83-4 and Article 83-5, Paragraph 2 in the right column of the relevant table shall be made deeming the Clearing Fund Sponsored Scheme has not been used.

The amount applied pursuant to the provisions of Article 83-2, Paragraph 1.	The amount obtained by adding the amount calculated pursuant to the provisions of Article 83-2, Paragraph 1 for a Sponsored Netting Account to the amount calculated pursuant to the provisions in the relevant Paragraph for a Sponsoring Netting Account (when multiple
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	Sponsoring Participants are appointed with respect to the relevant Sponsored Netting Account, the amount obtained by multiplying the relevant amount by the Sponsored Clearing Fund Prorated Ratio).
The amount to be paid as the Third Tier Special Clearing Charge pursuant to the provisions of Article 83-4	The amount obtained by adding the amount calculated pursuant to the provisions of Article 83-4 for a Sponsored Netting Account to the amount calculated pursuant to the provisions in the relevant Paragraph for a Sponsoring Netting Account (when multiple Sponsoring Participants are appointed with respect to the relevant Sponsored Netting Account, the amount obtained by multiplying the relevant amount by the Sponsored Clearing Fund Prorated Ratio).
The amount applied pursuant to the provisions of Article 83-5, Paragraph 2	The amount obtained by adding the amount calculated pursuant to the provisions of Article 83-5, Paragraph 2 for a Sponsored Netting Account to the amount calculated pursuant to the provisions in the relevant Paragraph for a Sponsoring Netting Account (when multiple Sponsoring Participants are appointed with respect to the relevant Sponsored Netting Account, the amount obtained by multiplying the relevant amount by the Sponsored Clearing Fund Prorated Ratio).

2 Notwithstanding the provisions of Article 83-6 and Article 83-7, when a Clearing Participant other than a Sponsored Participant or a Sponsoring Participant is a Defaulting Clearing Participant, the amount listed in the left column in the following table related to the relevant Sponsored Participant and the relevant Sponsoring Participant shall be zero (0), for the relevant Sponsored Participant and the amount listed in the right column in the relevant table, for the Sponsoring Netting Account. In such case, the calculation pursuant to the provisions in Article 83-6 in Item (1) shall be made deeming the Clearing Fund Sponsored Scheme has not been used.

(1) Third Tier Special Clearing Charge (Additional Portion), when a Sponsored Participant is a Participant to Bear Third Tier Special Clearing Charge (Additional Portion)

The amount obtained by adding the amount calculated pursuant to the provisions of Article 83-6 for a Sponsored Netting Account to the amount calculated pursuant to the provisions in the relevant Paragraph for a Sponsoring Netting Account (when multiple Sponsoring Participants are appointed with respect to the relevant Sponsored Netting Account, the amount obtained by multiplying the relevant amount by the Sponsored Clearing Fund Prorated Ratio).(2) Fourth Tier Special

Clearing Charge, when a Sponsored Participant is a Participant to Bear Fourth Tier Special Clearing Charge (Additional Portion):

The amount obtained by adding the amount calculated pursuant to the provisions of Article 83-7, Paragraph 2 for a Sponsored Netting Account to the amount calculated pursuant to the provisions in the relevant Paragraph for a Sponsoring Netting Account (when multiple Sponsoring Participants are appointed with respect to the relevant Sponsored Netting Account, the amount obtained by multiplying the relevant amount by the Sponsored Clearing Fund Prorated Ratio).

(Article 90-7 Termination of Use of the Clearing Fund Sponsored Scheme)

A Sponsored Participant shall, when it intends to terminate use of the Clearing Fund Sponsored Scheme, notify JSCC of the details of the termination in advance, in the manner prescribed by JSCC.

(Article 90-8 Cancellation of Use of Clearing Fund Sponsored Scheme and the Like)

1. JSCC may, when a Sponsoring Participant does not satisfy the requirements listed in Article 90-3, Paragraph 2, cancel the appointment of Sponsoring Participant.
2. When a Sponsored Participant fails to promptly submit an application that appoints new Sponsoring Participant pursuant to the provisions of Article 90-3, Paragraph 4, JSCC may cancel the approval for use of the Scheme.

## Chapter 12 Miscellaneous Clauses

(Article 91 Extraordinary Change of Settlement Cutoff Time)

When JSCC deems it necessary, JSCC may extraordinarily change the settlement cutoff time between JSCC and a Clearing Participant. In such case, JSCC shall notify the Clearing Participant to that effect in advance.

(Article 92 Deferment of Settlement Day Due to System Failure, Etc.)

1. In the event that JSCC deems it impossible or difficult to execute the settlement by using the systems set up by JSCC or other institutions, which are necessary to conduct the settlement between JSCC and a Clearing Participant under these Business Rules, due to an occurrence of a system failure to those systems or some other unavoidable reasons, JSCC may defer all or part of the Settlement Day, Etc. to the following day or later. In such case, JSCC shall notify the Clearing Participant to that effect in advance.

2. The matters necessary for the deferment of the Settlement Day as stipulated in the preceding Paragraph shall be prescribed by JSCC on each applicable occasion.

(Article 93 Extraordinary Measures in Cases of Natural Disaster, Etc.)

1. If circumstances lead up to the event that the settlement between JSCC and a Clearing Participant under these Business Rules is deemed to be impossible or extraordinarily difficult due to a natural disaster or other unavoidable reasons, JSCC may set new conditions of the settlement through a resolution adopted at the meeting of board of directors.
2. When JSCC has set the new conditions of the settlement pursuant to the preceding Paragraph, the Clearing Participants shall comply therewith.
3. In the case of the event as stipulated in Paragraph 1, if urgently necessary, JSCC may set new conditions of the settlement without the resolution of board of directors' meeting.

(Article 94 Cancellation, Etc. of Claims and Obligations under When-Issued Transaction

With regard to the Transactions Subject to Clearing on the When-Issued Transaction (referring to Buying and Selling of Japanese Government Bonds, Cash-secured Bond Lending Transaction or Standard Repo Transaction for which, on or before the day immediately preceding their issue date originally scheduled, the parties enter into a contract containing the condition precedent that such Japanese government bonds are issued on said issue date, and for which the settlement is executed on or after the issue date), in the event that the conditions of issuance of the Japanese government bonds subject to such transaction are changed, or that such Japanese government bonds are not issued or recognized as not to be issued by the Settlement Day, Etc. of such transaction, JSCC may take the measures to change the Settlement Day, Etc. of such transaction or to cancel the claims and obligations under such transaction.

(Article 95 Application of Excess Collateral relating to JGB OTC Transaction Clearing Business to Other Clearing Business)

JSCC may apply the excess collateral deposited by the Defaulting Clearing Participant in relation to the JGB OTC Transaction Clearing Business (referring to the Initial Margin or other collateral of which the Defaulting Clearing Participant has the right to claim refund from JSCC in connection with the JGB OTC Transaction Clearing Business, that remains

after the application to the payment of the obligations of the Defaulting Clearing Participant in accordance with the provisions of these Business Rules, Etc.) to the payment of any other obligations owed by the Defaulting Clearing Participant to JSCC in accordance with the provisions of the business rules of the other clearing businesses as applicable.

(Article 96 Delegation of Operations)

1. JSCC may delegate the administrative work specified by JSCC relating to the JGB OTC Transaction Clearing Business to the entity designated by JSCC.
2. In addition to these Business Rules, Clearing Participants shall comply with the rules in respect of the administrative work described in the preceding Paragraph, which are prescribed by the entity designated pursuant to said Paragraph and are approved by JSCC.
3. The provisions of Article 17 shall apply *mutatis mutandis* to the case prescribed in Paragraph 1.

(Article 97 Stipulation of Necessary Matters Concerning JGB OTC Transaction Clearing Business)

In addition to the matters prescribed in these Business Rules, when JSCC deems it necessary with regard to the JGB OTC Transaction Clearing Business, JSCC may prescribe in the Subordinate Rules concerning required operations.

(Article 98 Incidental Business)

JSCC shall conduct the business incidental to the Financial Instruments Obligation Assumption Service and Related Service (only those set forth in Article3).

(Article 99 Authority to Make Amendments)

Amendments to these Business Rules shall be made by resolutions adopted at the meetings of the board of directors of JSCC; provided, however, that the foregoing shall not apply when the amendments are not material.

(Article 100 JGB OTC Transaction Management Committee)

1. In the case where JSCC intends to make any change to these Business Rules, Etc. as set forth the preceding Article and if such change is made to any of the matters set forth

in each of the following Items, JSCC shall consult with the JGB OTC Transaction Management Committee about whether such change is appropriate or not, and respect the JGB OTC Transaction Management Committee's opinions; provided, however, that the foregoing provision does not apply in the case where such change is insignificant:

- (1) Matters related to Transactions Subject to Clearing set forth in Article 4;
- (2) Matters related to the eligibility requirements of JGB OTC Transaction Clearing Qualification set forth in Article 7;
- (3) Matters related to the voluntary renunciation of JGB OTC Transaction Clearing Qualification set forth in Chapter 2, Section 3;
- (4) Matters related to the measures, etc. to be taken with respect to Clearing Participants set forth in Chapter 2, Section 4;
- (5) Matter related to Brokerage for Clearing of Securities, Etc. set forth in Chapter 3;
- (6) Matters related to Variation Margins set forth in Chapter 7;
- (7) Matters related to Initial Margins and JGB OTC Transaction Clearing Fund set forth in Chapter 9;
- (8) Matters related to the measures in case of Settlement Default by Clearing Participants set forth in Chapter 10;
- (9) Matters related to the method to deliver for changing these Business Rules as set forth in the preceding Article; and
- (10) Matters related to consultation with the JGB OTC Transaction Management Committee.

2. Other than the matters set forth in the preceding Paragraph, matters related to the JGB OTC Transaction Management Committee shall be prescribed by JSCC in the Subordinate Rules.

(Article 101 Governing Law and Agreement on Jurisdiction)

1. These Business Rules, Etc. shall be governed by the laws of Japan.
2. The Tokyo District Court shall have exclusive jurisdiction over any dispute that may arise between JSCC and a Clearing Participant with regard to the rights and obligations arising out of these Business Rules, Etc.; provided, however, that JSCC shall not be prevented from instituting a lawsuit against a Clearing Participant in a court in a foreign country which is recognized as a court having jurisdiction.

#### Supplementary Provisions

- 1 These Business Rules shall come into effect on October 1, 2013; provided, however, that the provisions of Article 90, Paragraphs 2 to 4 shall come into effect as from the date separately prescribed by JSCC.
- 2 During the period from the date these Business Rules come into effect (hereinafter referred to as the “Effective Date”) to March 30, 2014, in applying Article 7, Paragraph 1, Item (2), B), (c), Article 7, Paragraph 2, Item (1), B), (c), Article 7, Paragraph 2, Item (2), B), (c), Article 28, Paragraph 3, Item (5) and Article 28, Paragraph 4, Item (5), the words “4.5 percent” in Article 7, Paragraph 1, Item (2), B), (c), a., Article 7, Paragraph 2, Item (1), B), (c), a., Article 7, Paragraph 2, Item (2), B), (c), a., Article 28, Paragraph 3, Item (5), A) and Article 28, Paragraph 4, Item (5), A) shall be interpreted to mean “3.5 percent,” and the words “6 percent” in Article 7, Paragraph 1, Item (2), B), (c), b. Article 7, Paragraph 2, Item (1), B), (c), b., Article 7, Paragraph 2, Item (2), B), (c), b., Article 28, Paragraph 3, Item (5), B) and Article 28, Paragraph 4, Item (5), B) shall be interpreted to mean “4.5 percent”.
- 3 During the period from March 31, 2014 to March 30, 2015, in applying Article 7, Paragraph 1, Item (2), B), (c), Article 7, Paragraph 2, Item (1), B), (c), Article 7, Paragraph 2, Item (2), B), (c), Article 28, Paragraph 3, Item (5) and Article 28, Paragraph 4, Item (5), the words “4.5 percent” in Article 7, Paragraph 1, Item (2), B), (c), a., Article 7, Paragraph 2, Item (1), B), (c), a., Article 7, Paragraph 2, Item (2), B), (c), a., Article 28, Paragraph 3, Item (5), A) and Article 28, Paragraph 4, Item (5), A) shall be interpreted to mean “4 percent,” and the words “6 percent” in Article 7, Paragraph 1, Item (2), B), (c), b. Article 7, Paragraph 2, Item (1), B), (c), b., Article 7, Paragraph 2, Item (2), B), (c), b., Article 28, Paragraph 3, Item (5), B) and Article 28, Paragraph 4, Item (5), B) shall be interpreted to mean “5.5 percent”.
- 4 An entity having either Principal Clearing Qualification or Agency Clearing Qualification under the business rules prescribed by Japan Government Bond Clearing Corporation (hereinafter referred to as “JGBCC Business Rules”) on the day immediately preceding the Effective Date shall have JGB OTC Transaction Principal Clearing Qualification or JGB OTC Transaction Agency Clearing Qualification, as the case may be, of JSCC as of the Effective Date.
- 5 In addition to the provisions set forth in the immediately preceding Paragraph, the legal relationships existing between Japan Government Bond Clearing Corporation and the clearing participants of the said company under the JGBCC Business Rules, Etc. (referring to the JGBCC Business Rules and the rules and regulations promulgated thereunder, the same applies in this Paragraph) as of the day immediately preceding the

Effective Date shall become subject to these Business Rules (including the rules and regulations promulgated under these Business Rules) on and after the Effective Date and the JGBCC Business Rules, Etc. shall be abolished.

6 If any act of a clearing participant of Japan Government Bond Clearing Corporation prior to the Effective Date falls under the acts that give rise to the measures, Etc. to be taken with respect to Clearing Participants set forth in Chapter 2, Section 5 of these Business Rules, such act shall be deemed to be an act that gives rise to the measures, Etc. to be taken with respect to Clearing Participants set forth in Chapter 2, Section 5, and these Business Rules shall apply to such act.

7 In addition to the provisions of preceding three paragraphs, handling of the JGB OTC Transaction Clearing Business and other necessary matters at the time when these Business Rules come into effect shall be determined by JSCC at each applicable occasion.

Note: The date separately prescribed by JSCC, as mentioned in Paragraph 1, is January 14, 2014.

#### Supplementary Provisions

These revised Business Rules shall come into effect on January 14, 2014.

#### Supplementary Provisions

These revised Business Rules shall come into effect on the date designated by JSCC.

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

#### Supplementary Provisions

1 These revised Business Rules shall come into effect on March 24, 2014.

2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after March 24, 2014 designated by JSCC.

#### Supplementary Provisions

These revised Business Rules shall come into effect on March 31, 2014.

### Supplementary Provisions

These revised Business Rules shall come into effect on June 2, 2014.

### Supplementary Provisions

- 1 These revised Business Rules shall come into effect on October 14, 2014.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after October 14, 2014 designated by JSCC. In such case, matters necessary upon enforcement of these revised Business Rules shall be prescribed by JSCC at each time.

### Supplementary Provisions

- 1 These revised Business Rules shall come into effect on October 13, 2015, except for the revisions to Article 51, Paragraphs 3 to 5, Article 54, Paragraph 3, Article 56, Paragraph 4, Article 57, Paragraph 3, Article 59, Paragraph 3, Article 60, Paragraph 3, Article 62, Paragraph 3 and Article 63, Paragraph 3, which shall come into effect on October 14, 2015.
- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Business Rules to apply due to unavoidable reasons, the revised Business Rules shall come into effect on the day set by JSCC which is not earlier than October 13, 2015.

### Supplementary Provisions

- 1 These revised Rules shall come into effect on May 1, 2018.
- 2 If the date designated by JSCC pursuant to the provisions in Article 6, Paragraph 6 in relation to the approval with respect to JGB OTC Transaction Clearing Qualification is the day on which this revised Rules comes to effect. Notwithstanding the provisions of Paragraph 1 and Paragraph 2 of the said Article, the deposit of Initial Margin and JGB OTC Transaction Clearing Fund and the other procedures that JSCC deems necessary

for obtaining the JGB OTC Transaction Clearing Qualification shall be separately determined by JSCC.

- 3 Notwithstanding the provisions of preceding two (2) paragraphs, due to an unavoidable reason, such as trouble in JSCC's system operation, when JSCC deems that it is not appropriate to apply these revised Rules, then these Rules shall come into effect on the date on or after May 1, 2018 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

These revised Business Rules shall come into effect on October 5, 2018.

#### Supplementary Provisions

- 1 These revised Business Rules shall come into effect on January 11, 2022.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation which is necessary for settlement of the Cleared Contracts between JSCC and Clearing Participants, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after January 11, 2022 designated by JSCC. In such case, matters necessary upon enforcement of these revised Business Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 1 These revised Business Rules shall come into effect on June 23, 2025.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation which is necessary for settlement of the Cleared Contracts between JSCC and Clearing Participants, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after June 23, 2025 designated by JSCC. In such case, matters necessary upon enforcement of these revised Business Rules shall be prescribed by JSCC at each time.
- 3 In such case, matters necessary upon enforcement of these revised Business Rules shall be separately determined by JSCC.

Supplementary Provisions

- 1 These revised Rules shall come into effect on June 8, 2026
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

- 1 These revised Rules shall come into effect on June 8, 2026
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Handling Procedures of Japanese Government Bond Over-the-Counter Transaction  
Clearing Business Rules

(Article 1 Purpose)

These Rules set forth the matters which are to be prescribed by JSCC pursuant to the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as “Business Rules”).

(Article 1-2 Form of Guarantee)

The form prescribed by JSCC as stipulated in Article 2, Paragraph 1, Item (10), Article 6, Paragraph 2 and Article 9-3 of the Business Rules shall be the form attached hereto as Exhibit Form 1.

(Article 2 Transactions Subject to Clearing)

1. Japanese government bonds specified by JSCC as stipulated in Article 4, Paragraph 1 of the Business Rules shall be those set forth in each of the following Items (excluding those which are deemed inappropriate by JSCC taking into account liquidity, etc.):
  - (1) Interest-bearing Japanese government bonds (excluding Japanese government bonds for retail investors (referring to Japanese government bonds for retail investors prescribed in Article 2 of the Ordinance on Issuance, etc. of Japanese Government Bonds for Retail Investors (Ordinance of the Ministry of Finance No. 68 of 2002); the same applies hereinafter)
  - (2) Discount Japanese government bonds (excluding those listed in the following Item and including Principal only book-entry transfer Japanese government bonds (referring to Principal only book-entry transfer Japanese government bonds prescribed in Article 90, Paragraph 2 of the Act on Book-Entry Transfer of Company Bonds, Shares, etc., (Act No. 75 of 2001; hereinafter referred to as “Book-Entry Transfer Act”); the same applies hereinafter) and Coupon only book-entry transfer Japanese government bonds (referring to Coupon only book-entry transfer Japanese government bonds prescribed in Article 90, Paragraph 3 of said Act; the same applies hereinafter)
  - (3) Treasury discount bills
2. Transactions specified by JSCC as stipulated in Article 4, Paragraph 2 of the Business Rules shall be, for each transaction listed in each of the following Items, the

transactions which fulfill the matters prescribed in the respective Item:

(1) Buying and Selling, Etc. of Japanese Government Bonds

- A) The Buying/Selling Settlement Day arrives on or before the day immediately preceding the corresponding day after one (1) month from the contract day (if there is no such corresponding day, the last day of the month (if such day falls on a holiday, the day shall be the immediately preceding business day) and if the corresponding day falls on a holiday, the day shall be the following day (if such day falls on a holiday, the day shall be the immediately following business day ; the same applies hereinafter) (if such following day falls on a day in the following month, the day shall be the immediately preceding day of the corresponding day (if such day falls on a holiday, the day shall be the immediately preceding business day; the same applies hereinafter except for the cases in Article 14, Paragraph 2, Item 3)); the same applies hereinafter) (in the case of the When-Issued Transactions, the Buying/Selling Settlement Day arrives on or before the day immediately preceding the corresponding day after one (1) month from the contract day, or on their issue date).
- B) The quantity of subject Japanese government bonds is fifty thousand (50,000) yen face value (in the case of ~~Japanese government bonds with floating rate and~~ Inflation-Indexed Japanese government bond (referring to inflation-indexed Japanese government bonds prescribed in Article 1 of the Ordinance on Handling of Inflation-Indexed Japanese Government Bonds (Ordinance of the Ministry of Finance No. 7 of 2004); the same applies hereinafter), one hundred thousand (100,000) yen face value) multiplied by a whole number.
- C) For Japanese government bonds with floating rate, as of the time of submission to JSCC of an application for assumption of the obligations, the Buying/Selling Settlement Day arrives during an interest calculation period for which the interest rate has been fixed (if the last day of the interest calculation period for which the interest rate has been fixed falls on a holiday, on or before the business day immediately following such last day; the same applies, hereinafter).
- D) For Inflation-Indexed Japanese government bonds, as of the time of submission to JSCC of an application for assumption of the obligations, the Indexation Coefficient (referring to the value published by the Ministry of Finance, as the indexation coefficient for Inflation-Indexed Japanese government bonds; the same applies hereinafter) as of the Buying/Selling Settlement Day has been fixed.

- E) As of the time of submission to JSCC of an application for assumption of the obligations, the issue and interest rate of subject Japanese government bonds have been fixed.
- (2) Cash-secured Bond Lending Transaction, Etc.
- A) The Transaction Settlement Day arrives on or before the corresponding day after one (1) year from the contract day.
- B) As of the time of submission to JSCC of an application for assumption of the obligations, the Transaction Settlement Day has been fixed.
- C) The quantity of subject Japanese government bonds is fifty thousand (50,000) yen face value (in the case of ~~Japanese government bonds with floating rate and~~ Inflation-Indexed Japanese government bonds, one hundred thousand (100,000) yen face value) multiplied by a whole number.
- D) For Japanese government bonds with floating rate, as of the time of submission to JSCC of an application for assumption of the obligations, the Transaction Settlement Day arrives during an interest calculation period for which the interest rate has been fixed.
- E) For Inflation-Indexed Japanese government bonds, as of the time of submission to JSCC of an application for assumption of the obligations, the Indexation Coefficient of the Transaction Execution Day has been fixed.
- F) The standard cash collateral rate (referring to the rate to be used for multiplying the total market value to calculate the amount of cash collateral to be maintained by Borrowing Clearing Participant) is one hundred (100) percent.
- G) As of the time of submission to JSCC of an application for assumption of the obligations, issue and interest rate for the subject Japanese government bonds have been fixed.
- (3) Standard Repo Transaction, Etc.
- A) The Ending Transaction Delivery Day arrives on or before the corresponding day after one (1) year from the contract day.
- B) As of the time of submission to JSCC of an application for assumption of the obligations, the Ending Transaction Delivery Day has been fixed.
- C) The redemption day of subject Japanese government bonds does not arrive on or before the Ending Transaction Delivery Day.
- D) The quantity of subject Japanese government bonds is fifty thousand (50,000) yen face value (in the case of ~~Japanese government bonds with floating rate and~~

Inflation-Indexed Japanese government bonds, one hundred thousand (100,000 yen face value) multiplied by a whole number.

- E) For Japanese government bonds with floating rate, as of the time of submission to JSCC of an application for assumption of the obligations, the Ending Transaction Delivery Day arrives during an interest calculation period for which the interest rate has been fixed.
  - F) For Inflation-Indexed Japanese government bonds, as of the time of submission to JSCC of an application for assumption of the obligations, the Indexation Coefficient of the Starting Transaction Delivery Day has been fixed.
  - G) For Standard Repo Transaction, Etc. for interest-bearing Japanese government bonds, the transaction is Repo Transaction, Etc. with accrued interest (referring to Repo Transaction, Etc. for which selling and buying unit price (referring to a price per one hundred (100) yen face value; the same applies hereinafter in this Article) includes accrued interest corresponding to the number of days to the Ending Transaction Delivery Day and for which Repo Buying Clearing Participant pays Repo Selling Clearing Participant on the interest payment day the amount equal to the interest to be received if the interest payment day for the subject Japanese government bonds arrives within a period starting on the day immediately following the Starting Transaction Delivery Day (if such day falls on a bank holiday day, the day shall be the immediately following day which is not a holiday) and ending on the Ending Transaction Delivery Day).
  - H) Ratio of calculating the selling and buying amount (referring to the number used for dividing the market value of the subject Japanese government bonds at the time of contract subtracted by 1 to calculate selling and buying unit price for starting transaction in the relevant Standard Repo Transaction, Etc.) is zero.
  - I) As of the time of submission to JSCC of an application for assumption of the obligations, issue and interest rate for the subject Japanese government bonds have been fixed.
- (4) Subsequent Collateral Allocation Repo Transaction, Etc.
- A) Ending Transaction Delivery Day arrives on or before the corresponding day after one (1) year from the contract day.
  - B) As of the time of submission of an application for assumption of the obligations to JSCC, the Ending Transaction Delivery Day has been fixed.
  - C) Starting Delivery Amount is ten million (10,000,000) yen face value multiplied by

a whole number.

- D) For such transaction, the Repo Buying Clearing Participant shall pay the amount equal to interest amount to be received when such interest payment day arrives to the Repo Selling Clearing Participant on such interest payment days, for Japanese government bonds, for which issue have been allocated by the Collateral Allocation in a period from the immediately following day of the Starting Transaction Delivery Day (if such day falls on a bank holiday, following day which is not a holiday) to Ending Transaction Delivery Day.

(Article 2-2 Designation etc. of Basket)

1. JSCC shall designate the Basket by specifying one or more names of Japanese government bonds, as the range of Japanese government bonds subject to transaction.
2. JSCC may abolish the Basket which have been designated or amend the contents of designation.
3. In designating the Basket or amending the contents of designation, JSCC may set limitation on year to maturity or cover or exclude specific issue, for all or a part of the names of Japanese government bonds included in such Basket.
4. When JSCC designates, abolishes or amends the contents of the Basket pursuant to the provisions in the preceding three (3) Paragraphs, JSCC shall notify Clearing Participant to that effect in advance.

(Article 3 Application for Obtaining JGB OTC Transaction Clearing Qualification)

1. The application for obtaining the JGB OTC Transaction Clearing Qualification as stipulated in Article 6, Paragraphs 1 to 3 or Paragraph 5 of the Business Rules shall be made by the Qualification Applicant by submitting to JSCC a written application for the JGB OTC Transaction Clearing Qualification in a prescribed form stating the matters listed in each of the following Items:
  - (1) Classification of JGB OTC Transaction Clearing Qualification to be obtained (when applying for obtaining the JGB OTC Transaction Clearing Qualification as stipulated in Article 6, Paragraph 2 of the Business Rules, a statement to the effect that it is for the JGB OTC Transaction Principal Clearing Qualification which is subject to the condition that the applicant's Parent Company, Etc. extends the Guarantee by Parent Company Etc. for all of its obligations owed to JSCC, and when applying for obtaining the JGB OTC Transaction Clearing Qualification as stipulated in

Paragraph 3 of said Article, a statement to the effect that it is for the JGB OTC Transaction Principal Clearing Qualification which is subject to the condition that if the applicant obtains the JGB OTC Transaction Clearing Qualification, the obligations owed by JSCC pursuant to the provisions of Article 44, Paragraph 1 and Article 45, Paragraph 1 of the Business Rules will be netted out at a ratio of not less than the ratio as stipulated in the following Article);

- (2) Trade name or corporate name (including the trade name or corporate name in English);
  - (3) Address of the headquarters or principal office;
  - (4) Name of the representative; and
  - (5) Reasons for applying for obtaining the JGB OTC Transaction Clearing Qualification.
2. Documents that JSCC deems necessary shall be attached to the written application for the JGB OTC Transaction Clearing Qualification prescribed in the preceding Paragraph.

(Article 4 Ratio Prescribed by JSCC)

The ratio prescribed by JSCC as stipulated in Article 6, Paragraph 3, Article 7, Paragraph 3, Item (2), Article 28, Paragraph 10 of the Business Rules shall be ninety (90) percent.

(Article 5 Procedures for Obtaining JGB OTC Transaction Clearing Qualification)

1. The procedures for obtaining the JGB OTC Transaction Clearing Qualification prescribed in Article 8, Paragraph 1 of the Business Rules shall be the payment of the fee for obtaining the JGB OTC Transaction Clearing Qualification and other procedures deemed necessary by JSCC.
2. The fee for obtaining the JGB OTC Transaction Clearing Qualification set forth in the preceding Paragraph shall be 1 million yen, and Qualification Applicant shall pay such fee together with the corresponding consumption tax and local consumption tax.
3. The provisions of Paragraph 1 *mutatis mutandis* to the procedures for obtaining the JGB OTC Transaction Clearing Qualification set forth in Article 8, Paragraph 3 of the Business Rules. In this case, the phrase “the payment of the fee for obtaining the JGB OTC Transaction Clearing Qualification and other procedures deemed necessary by JSCC” in Paragraph 1 shall be deemed to be replaced with “the procedures deemed necessary by JSCC.”

## (Article 5-2 Clearing Participant Agreement)

The form prescribed by JSCC as stipulated in Article 10 of the Business Rules shall be the form attached hereto as Exhibit Form 2.

## (Article 6 Matters to be Notified)

Notifications to JSCC as stipulated in Article 11, Paragraph 1, Article 12, Article 18 and Article 42, Paragraph 2 of the Business Rules shall be submitted by the date and time designated by JSCC in a prescribed form, to which documents deemed necessary by JSCC shall be attached.

## (Article 7 Matters to be Reported)

1 The circumstances prescribed by JSCC as stipulated in Article 19 of the Business Rules shall be those listed in each of the following Items, and the reports shall be submitted in a prescribed form, to which documents deemed necessary by JSCC shall be attached:

- (1) When a Clearing Participant prescribes or amends the method of managing the risk of loss, the method of division of duties or details and methods of other operations;
- (2) When a Clearing Participant learns that the Designated Parent Company (referring to the Designated Parent Company as stipulated in Article 57-12, Paragraph 3 of the Act; the same applies hereinafter) filed notification pursuant to the provisions of Article 57-14 of the Act concerning the matters listed in Article 57-13, Paragraph 1, Item (6) of the Act;
- (3) When a Clearing Participant suspends or resumes its business;
- (4) When a Clearing Participant files a petition for the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, commencement of liquidation or commencement of special liquidation, or when a Clearing Participant learns the fact that a petition was filed for any of the foregoing;
- (5) When a Clearing Participant learns the fact that its Designated Parent Company filed a petition for the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, commencement of liquidation or commencement of special liquidation, or when a Clearing Participant learns that a petition against its Designated Parent Company

- was filed for any of the foregoing;
- (6) When a Clearing Participant becomes, or is likely to become, insolvent;
- (7) When a Clearing Participant learns that the Designated Parent Company has become, or is likely to become, insolvent;
- (8) When the amount of its net worth (*jun zaisan*) (in the case of an entity that is not a Financial Instruments Business Operator, the amount of its net assets (*jun shisan*); the same applies hereinafter in this Item) becomes less than five billion (5,000,000,000) yen and one billion (1,000,000,000) yen (if such Clearing Participant is an JGB OTC Transaction Agency Clearing Participant, when the amount of its net worth (*jun zaisan*) becomes less than twenty billion (20,000,000,000) yen; if such Clearing Participant is a Clearing Participant for which the Guarantee by Parent Company Etc. is extended, when the amount of its net worth (*jun zaisan*) becomes less than one billion (1,000,000,000) yen; if such Clearing Participant is a Clearing Participant which has obtained the JGB OTC Transaction Clearing Qualification through the application as stipulated in Article 6, Paragraph 3 of the Business Rules when the amount of its net worth (*jun zaisan*) becomes less than two and a half billion (2,500,000,000) yen and one billion (1,000,000,000) yen); and if such Clearing Participant is a Sponsoring Participant, or a Back-up Sponsoring Participant (excluding a case where such Clearing Participant is a Clearing Participant for which the Guarantee by Parent Company Etc. is extended), when the amount of its net worth (*jun zaisan*) becomes less than ten billion (10,000,000,000) yen
- (9) When the amount of its stated capital or the total amount of capital contributions becomes less than three hundred million (300,000,000) yen;
- (10) When any one of the events set forth in A) through D) below has occurred to the Clearing Participant according to its category set forth therein:
- A) Financial Instruments Business Operator, Securities Finance Company or Call Loan Dealer
- When its capital-to-risk ratio or consolidated capital-to-risk ratio becomes less than two hundred (200) percent and one hundred forty (140) percent; in the case of a Securities Finance Company or a Call Loan Dealer, when it falls under the circumstances similar thereto;
- B) Financial institution subject to Uniform International Standards:
- When any one of the events set forth in (a) through (c) below has occurred (in

the case of a foreign bank, if any event equivalent thereto has occurred):

- (a) When its non-consolidated or consolidated Common Equity Tier 1 ratio for an institution which operates with investment from its members, its non-consolidated or consolidated common capital contribution Tier 1 ratio; the same applies hereinafter) became less than 4.5 percent;
- (b) When its non-consolidated or consolidated Tier 1 ratio became less than 6 percent; or
- (c) When its non-consolidated or consolidated Total Capital ratio became less than 8 percent;

C) Banks other than financial institutions subject to Uniform International Standards:

When its non-consolidated or consolidated capital adequacy ratio under the domestic standards becomes below four (4) percent;

D) Insurance company:

Its non-consolidated or consolidated solvency margin ratio becomes less than four hundred (400) percent and two hundred (200) percent;

- (11) When a Clearing Participant learns that a majority of the voting rights of all shareholders (excluding voting rights from shares which may not be exercised on all the matters on which a resolution may be effected at a shareholders' meeting and including voting rights from shares which are deemed to have voting rights pursuant to the provisions of Article 879, Paragraph 3 of the Companies Act (Act No. 86 of 2005) or voting rights of the equity investment is held by a single person or other single entity or other organization;
- (12) When there is any change in respect of its top ten (10) major shareholders (referring to the ten (10) shareholders in descending order for the number of shares which a shareholder holds in its own or in others' names);
- (13) When any of its directors or officers becomes, or ceases to be, a director or officer of another corporation or other legal entity;
- (14) When a disposition or punishment according to the provisions of the Laws and Regulations is given to a Clearing Participant, or an opportunity to participate in a hearing or to present a defense in connection with a disposition according to the provisions of the Laws and Regulations is given to a Clearing Participant;
- (15) When a Clearing Participant learns that a disposition or punishment was given to its Designated Parent Company or Specified Major Shareholder (referring to the

- Specified Major Shareholders stipulated in Article 32, Paragraph 4 of the Act; the same applies hereinafter) according to the provisions of the Laws and Regulations or that an opportunity to participate in a hearing or to present a defense in connection with a disposition was given to its Designated Parent Company or Specified Major Shareholder according to the provisions of the Laws and Regulations;
- (15)-2 In association with a disposition set forth in preceding two Items, when the Clearing Participant reported improvement plan, etc. to an administrative agency.
- (16) In the case of a Financial Instruments Business Operator, when a Clearing Participant learns that any of its directors or officers has fallen under any of the person listed in Article 29-4, Paragraph 1, Item 2 a) to i) of the Act; in the case of a Clearing Participant which is not a Financial Instruments Business Operator, when the Clearing Participant learns that any of its directors or officers was given a resolution for the commencement of bankruptcy proceedings, a sentence for imprisonment without work or severer punishment, or has been fined according to the provisions of the Laws and Regulations;
- (17) When a Clearing Participant learns that any of the directors or officers of its Designated Parent Company has fallen under any of the person listed in Article 29-4, Paragraph 1, Item 2 a) to i) of the Act;
- (18) When a Clearing Participant learns that any of the Major Shareholders of a Financial Instruments Business Operator (referring to the Major Shareholder stipulated in Article 29-4, Paragraph 2 of the Act; the same applies hereinafter) has fallen under the provisions of Article 29-4, Paragraph 1, Item 5 (d) or (e) of the Act (in the case of a foreign entity, when it learns that those equivalent to the Major Shareholders have fallen under (f) of said Item);
- (19) When a Clearing Participant learns that any of the Major Shareholders of its Designated Parent Company has fallen under the provisions of Article 29-4, Paragraph 1, Item 5 (d) or (e) of the Act;
- (20) When a civil lawsuit (excluding a civil lawsuit, the value of the subject matter for which is less than one billion (1,000,000,000) yen; the same applies hereinafter) has been filed against a Clearing Participant or a judgment, etc. of court (including when such judgment, etc. has been appealed) has been made in respect of such lawsuit, or when a petition for mediation (excluding a mediation the value of the subject matter for which is less than one billion (1,000,000,000) yen; the same

- applies hereinafter) under the Civil Conciliation Act has been filed against a Clearing Participant or such mediation case has been concluded;
- (21) When a Clearing Participant learns that a civil lawsuit has been filed against its Designated Parent Company or that a judgment, etc. of court (including when such judgment, etc. has been appealed) has been made in respect of such lawsuit, or that a petition for mediation under the Civil Conciliation Act has been filed against its Designated Parent Company has been filed or that such mediation case has been concluded;
- (21-2) When the report related to the affiliates pursuant to Article 46-3, Paragraph 2 of the Act with respect of a Financial instruments Business Operator, the report related to the affiliates pursuant to Article 48-2, Paragraph 2 of the Act with respect of a Registered Financial Institutions or the report related to the affiliates pursuant to Article 49-3, Paragraph 2 of the Act with respect of a Financial instruments Business Operator which is a foreign corporation, is made;
- (22) When a Clearing Participant prepares the monitoring questionnaires pursuant to the provisions of Article 56-2 of the Act (in the case of a Securities Finance Company or a Call Loan Dealer, items equivalent thereto; and in the case of a Registered Financial Institution that is a JGB OTC Transaction Agency Clearing Participant, main account status sheets prescribed by JSCC);
- (23) When a Clearing Participant prepares the document stating the soundness of the company available for public inspection pursuant to the provisions of Article 57-5, Paragraph 3 of the Act;
- (24) When a Clearing Participant's Ultimate Designated Parent Company (referring to the Ultimate Designated Parent Company stipulated in Article 57-12, Paragraph 3 of the Act) prepares the document stating the soundness of the company available for public inspection pursuant to the provisions of Article 57-17, Paragraph 3 of the Act;
- (25) In the case of a Financial Instruments Business Operator, when a Clearing Participant prepares a business report; in the case of the Banks or an insurance company, when a Clearing Participant prepares a non-consolidated or consolidated business report or an interim business report; in the case of a Securities Finance Company, when a Clearing Participant prepares a business report or an interim financial result status sheet; and in the case of a Call Loan Dealer, when a Clearing Participant prepares a business report;
- (26) When a Clearing Participant prepares a business report pursuant to Article 57-3,

- Paragraph 1 of the Act;
- (27) When a Clearing Participant's Ultimate Designated Parent Company prepares a business report;
  - (28) In the case of a Clearing Participant which has Trust Accounts, when it prepares reports concerning the balance of Japanese government bonds in the balance of trust assets prescribed by JSCC;
  - (29) When a Clearing Participant prepares a financial result overview report or an interim financial result overview report prescribed by JSCC;
  - (30) In the case of a Financial Instruments Business Operator which is a foreign entity, when it prepares the balance sheet, profit and loss statement or other documents related to financial accounting as stipulated in Article 49-3, Paragraph 1 of the Act;
  - (31) When a Clearing Participant learns that its Designated Parent Company changed the location of its headquarters or principal office;
  - (32) When a Clearing Participant filed a notification pursuant to the provisions of Article 57-2, Paragraph 1 or Paragraph 6 of the Act (limited to the case where the Clearing Participant falls under the provision of Item (2) of said Paragraph);
  - (33) When a Clearing Participant learns that its Parent Company, Etc. is designated as a Designated Parent Company, or that such designation is cancelled or has become ineffective;
  - (34) When a Clearing Participant learns that its Designated Parent Company merged with another entity (excluding the cases where the Designated Parent Company ceases to exist through the merger or notification related to the merger has already been submitted pursuant to Article 18, Paragraph 3 of the Business Rules);
  - (35) When a Clearing Participant learns that any of the directors or officers of its Designated Parent Company has changed (excluding the cases listed in Item (8)-2); and
  - (36) When a Clearing Participant learns that a person has newly become, or ceased to be, a Specified Major Shareholder.
  - (37) When a Clearing Participant changes its fiscal year end date.
2. With respect to the reports referenced in Item (25) of the preceding Paragraph, in addition to documents stipulated in the main text of such Paragraph, audit reports by accounting auditors (including the documents that JSCC deems appropriate as equivalent thereto) concerning financial statements attached to the business reports or non-consolidated business reports shall be attached.

3. In the case of a Clearing Participant which is extended a Guarantee by Parent Company Etc., the circumstances prescribed by JSCC as stipulated in Article 19 of the Business Rules shall be, in addition to those listed in each Item of Paragraph 1, those listed in each of the following Items, and the reports shall be submitted in a prescribed form, to which documents that JSCC deems necessary shall be attached:
- (1) When any of the Items (3), (4), (6), (9), (10), (20) to (23), (25) and (26) of Paragraph 1 becomes applicable to its Parent Company, Etc. (limited to those extending the Guarantee by Parent Company Etc., for such Clearing Participant; the same applies, hereinafter) (in the case of Paragraph 1, Item (4), excluding the case where a report concerning the Parent Company, Etc. has already been submitted pursuant to Item (5) of said Paragraph, in the case of Item (6) of said Paragraph, excluding the case where a report concerning the Parent Company, Etc. has already been submitted pursuant to Item (7) of said Paragraph, and in the case of Item (20) of said Paragraph, excluding the case where a report concerning the Parent Company, Etc. has already been submitted pursuant to Item (21) of said Paragraph); and
- (2) When the amount of net worth (*jun zaisan*) (in the case of a Parent Company, Etc. which is not a Financial Instruments Business Operator, the amount of net assets (*jun shisan*) or the equivalent amount becomes less than 5 billion yen multiplying by the number of Clearing Participants for which Parent Company, Etc. extends the Guarantee by a Parent Company, Etc. (if such Parent Company, Etc. is a Clearing Participant, adding one (1) to such number) (provided, however that if such amount becomes less than twenty billion (20,000,000,000) yen, such amount shall be twenty billion (20,000,000,000) yen). .
4. With respect to the reports in the case where Paragraph 1, Item (25) becomes applicable to the Parent Company, Etc. as stipulated in the preceding Paragraph, in addition to documents stipulated in the main text of Paragraph 3, audit reports by accounting auditors (including the documents that JSCC deems appropriate as equivalent thereto) concerning financial statements attached to the business reports or non-consolidated business reports prepared by the Parent Company, Etc. shall be attached.

(Article 8 Application for Renouncing JGB OTC Transaction Clearing Qualification)

1. The application for the renunciation of the JGB OTC Transaction Clearing Qualification as stipulated in Article 21 of the Business Rules shall be made by a Clearing Participant

renouncing JGB OTC Transaction Clearing Qualification by submitting to JSCC a written application for the renunciation of the JGB OTC Transaction Clearing Qualification in a prescribed form stating the matters listed in each of the following Items:

- (1) Classification of the JGB OTC Transaction Clearing Qualification to be renounced;
  - (2) Trade name or corporate name (including the trade name or corporate name in English);
  - (3) Address of the headquarters or principal office;
  - (4) Name of the representative; and
  - (5) Reasons for applying for renouncing the JGB OTC Transaction Clearing Qualification.
2. Documents which JSCC deems necessary to be submitted upon renunciation of the JGB OTC Transaction Clearing Qualification shall be attached to the written application for the renunciation of the JGB OTC Transaction Clearing Qualification prescribed in the preceding Paragraph.

(Article 9 Amount to be Maintained as the Amount of Net Worth (*jun zaisan*), etc.)

1. The amount prescribed by JSCC as stipulated in Article 28, Paragraph 5, Item (1) of the Business Rules shall be the Required Initial Margin Amount as stipulated in Article 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction for such Clearing Participant (excluding those related to the Trust Accounts; the same applies hereinafter up to Paragraph 4) (in the case of a Clearing Participant for which is the Guarantee by Parent Company Etc. has been extended (hereinafter referred to as the "Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision"), the Required Initial Margin Amount for such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision added by the Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, and in the case of a Clearing Participant which extends the Guarantee by the Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the Required Initial Margin Amount for a Clearing Participant being the Parent Company, Etc. added by the Required Initial Margin Amount for the Clearing Participant Guaranteed by Parent Company, Etc. under

Special Provision).

2. When applying the provisions of the preceding Paragraph to a Clearing Participant which has several Netting Accounts, the term "Required Initial Margin Amount for such Clearing Participant" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for such Clearing Participant", "Required Initial Margin Amount for Clearing Participant Guaranteed by Parent Company Etc. under Special Provision" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for Clearing Participant Guaranteed by Parent Company Etc. under Special Provision for each Netting Account for such Clearing Participant" and the term "Required Initial Margin Amount for such Parent Company, Etc." shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for such Clearing Participant which is the Parent Company, Etc."
3. In the case where a Clearing Participant which is the Parent Company, Etc. extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision has several Netting Accounts, when applying the provisions of Paragraph 1 to a Clearing Participant, the term "Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) of such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) of such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision."
4. In the case where a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision has several Netting Accounts, when applying the provisions of Paragraph 1 to a Clearing Participant which is the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the term "Required Initial Margin Amount for a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for the Clearing Participant

Guaranteed by Parent Company Etc. under Special Provision ”.

5. Notwithstanding the provisions in the preceding Paragraph, if a Clearing Participant is a JGB OTC Transaction Agency Clearing Participant, the amount prescribed by JSCC as stipulated in Article 28, Paragraph 5, Item (1) of the Business Rules shall be the largest of the amount prescribed in each of the following Items.
  - (1) Sum of Required Initial Margin Amount for each Netting Account other than Netting Account related to customers of the relevant Clearing Participant.
  - (2) The largest Required Initial Margin Amount for Netting Account related to each customer (when multiple Netting Accounts exist for a single customer, sum of the Required Initial Margin Amount for each Netting Account for the relevant Customer) .
  - (3) The amount obtained by dividing the sum of the Required Initial Margin Amount for each Netting Account (excluding those related to customers which do not belong to the corporate group (referring to the corporate group stipulated in Article 5, Paragraph 1, Item (1) of the Financial Instruments and Exchange Act) to which the relevant Clearing Participant belongs) of the relevant Clearing Participant by 2.
  - (4) The amount obtained by dividing the sum of the Required Initial Margin Amount for all Netting Accounts of the relevant Clearing Participant by 4.
6. The value specified by JSCC as stipulated in Article 28, Paragraph 5, Item (2) of the Business Rules shall be the value obtained by subtracting, from one (1), such value as is obtained by dividing the largest Market Price Fluctuation Risk Factor prescribed in Paragraph 1, Item (2), Note (1) of Appendix of the Rules on Required Initial Margin Amount related to JGB OTC Transaction by one hundred (100).
7. The amount prescribed by JSCC as stipulated in Article 28, Paragraph 5, Item (2) of the Business Rules shall be the Required Initial Margin Amount related to the Trust Account for such Clearing Participant (in the case of a Clearing Participant which has several Trust Accounts, the sum of the Required Initial Margin Amount related to the Trust Accounts of such Clearing Participant).

(Article 10 Application for Assumption of Obligations, etc.)

1. The method prescribed by JSCC as stipulated in Article 40, Paragraph 1, Article 41, Paragraph 1, Article 42, Paragraph 1, Article 43, Paragraph 1 and Article 50-3, Paragraph 1 of the Business Rules shall be the method conducted through the Pre-Settlement Matching System of Japan Securities Depository Center, Inc.

## (Article 11 Agent Approval Procedure)

When a Clearing Participant intends to obtain the approval of its agent as stipulated in Article 40, Paragraph 4 of the Business Rules (including the cases where it is applied *mutatis mutandis* pursuant to Article 41, Paragraph 3 and Article 42, Paragraph 6 of the Business Rules), Article 43, Paragraph 3, Article 50-3, Paragraph 2 and Article 50-11, Paragraph 2 of the Business Rules (including the cases where it is applied *mutatis mutandis* pursuant to Article 51, Paragraph 3 and Article 56, Paragraph 2 of the Business Rules), Article 69, Paragraph 2 of the Business Rules (including the cases where it is applied *mutatis mutandis* pursuant to Article 57, Paragraph 2, Article 59, Paragraph 2, Article 60, Paragraph 2, Article 62, Paragraph 2 and Article 63, Paragraph 2 of the Business Rules; the same applies hereinafter in this Article) and Article 70-9 of the Business Rules, the Clearing Participant shall submit to JSCC a written application stating the matters prescribed by JSCC and obtain the approval from JSCC. In such case, the agent for payment/receipt of .Money as stipulated in Article 69, Paragraph 2 and Article 70-9 of the Business Rules shall be a bank.

## (Article 12 Market Value of Security Settlement Obligation)

1. The market value of the Security Settlement Obligation Related to Individual Issue Transactions as stipulated in Article 47, Paragraph 2 of the Business Rules and the market value of the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. as stipulated in Article 50-8, Paragraph 2 of the Business Rules shall be the value (any fractional amount less than one (1) yen shall be rounded down) for the Security Settlement Obligation Related to Individual Issue Transactions and the Security Settlement Obligation Related to the Subsequent Collateral Allocation Repo Transaction, Etc., appraised based on the average price stated in the reference statistical prices for over-the-counter transactions published by the Japan Securities Dealers Association as of the date of the Settlement Day, Etc., added by all accrued interest (any fractional amount less than one (1) yen shall be rounded down) for the number of days up to the Settlement Day, Etc.
2. The price as stipulated in the preceding Paragraph related to the issue for which the reference statistical prices for over-the-counter transactions as of the Settlement Day, Etc. is not published by the Japan Securities Dealers Association shall be prescribed by JSCC at each time.

## (Article 12-2 Method of Collateral Allocation)

1. JSCC, pursuant to the provisions in Article 50-4, Paragraph 1 of the Business Rules, in a manner prescribed by JSCC, with respect to the amount of the Starting/Rewind JGB Delivery Obligation (Basket) owed to JSCC by a delivering Clearing Participant of Japanese government bonds for which Settlement Day, Etc. arrives on the day of Basket Netting and the amount of the Starting/Rewind JGB Delivery Obligation (Basket) owed to a receiving Clearing Participant of Japanese government bonds by JSCC for which Settlement Day, Etc. arrives on the day of Basket Netting, shall designate the matching of delivering Clearing Participants of Japanese government bonds and receiving Clearing Participants of Japanese government bonds so that the both amounts become same and for each matching, for each obligation, allocate issue and quantity of Japanese government bonds so that market value of Japanese government bonds (referred to as the amount valued in a manner as stipulated in Article 12; the same applies hereinafter in this Article) for which issue and quantity have been notified by the Delivering Clearing Participant of Japanese government bonds as stipulated in Article 50-3 of the Business Rules, become equivalent of the amount of each obligation.
2. Notwithstanding the provisions in the preceding Paragraph, for Collateral Allocation executed at the time stipulated in Article 44, Paragraph 2, Item (4) of the Business Rules, if the market value of Japanese government bonds notified by the delivering Clearing Participant of Japanese government bonds pursuant to the provisions in Article 50-3 of the Business Rules is less than the amount of the Starting/Rewind JGB Delivery Obligation (Basket), JSCC in a manner prescribed by JSCC, shall allocate Issue and quantity of Japanese government bonds other than those notified by such delivering Clearing Participant of Japanese government bonds.
3. JSCC shall allocate issue and quantity of Japanese government bonds allocated to the Starting/Rewind JGB Delivery Obligation (Basket) to the Ending/Unwind JGB Delivery Obligation (Basket) with the Settlement Day, Etc. arrives on the immediately following day of the date on which the Basket Netting is executed, in a manner prescribed by JSCC.
4. When the provisions in Paragraph 1 and Paragraph 2 are applied to a Clearing Participant holding multiple Netting Accounts “delivering Clearing Participant of Japanese government bonds” in Paragraph 1 and Paragraph 2 shall be deemed to be replaced with “delivering Clearing Participant of Japanese government bonds for each Netting Account” and “the matching of delivering Clearing Participants of Japanese

government bonds and receiving Clearing Participants of Japanese government bonds so that the both amounts become same” shall be deemed to be replaced with “the matching of Netting Account of delivering Clearing Participants of Japanese government bonds and Netting Account of receiving Clearing Participants of Japanese government bonds so that the both amounts become same”.

5. When a Clearing Participant holds a Trust Account, the provisions in Paragraph 1 and Paragraph 2 shall be applied, deeming a single netting unit (referring a unit specified by Netting Account and the matters classifying unit of netting as stipulated in Article 40, Paragraph 2, Item (4)B) of the Business Rules) as a single Netting Account.
6. When JSCC determines Default, Etc. of a Clearing Participant, notwithstanding the provisions of the preceding two (2) Paragraphs, Collateral Allocation to the Non-Defaulting Participant shall be executed, deeming the obligations stipulated in Article 5-3 of the Rules on Default Settlement Regarding Clearing Participants in Relation to JGB OTC Transaction Clearing Business among the Starting/Rewind JGB Delivery Obligation (Basket) owed to JSCC by such Defaulting Clearing Participant and the Ending/Unwind JGB Delivery Obligation (Basket) owed to such Defaulting Clearing Participant by JSCC, to exist without amending the performance due date, notwithstanding the provisions of Article 78 and Article 79 of the Business Rules. In this case, in applying the provisions in Paragraph 1 and Paragraph 2 to Collateral Allocation to Non-Defaulting Clearing Participant corresponding to Starting/Rewind JGB Delivery Obligation (Basket) owed to JSCC by such Defaulting Clearing Participant, the term “notified by the Delivering Clearing Participant of Japanese government bonds as stipulated in Article 50-3 of the Business Rules” shall be deemed to be replaced as “as determined by JSCC on each applicable occasion” and the term “notified by the relevant delivering Clearing Participant of Japanese government bonds” shall be deemed to be replaced as “as determined by JSCC on each applicable occasion”.

(Article 13 Method of DVP Settlement for Japanese Government Bonds)

1. The delivery/receipt of Japanese government bonds as stipulated in Article 50-11, Paragraph 1 and Paragraph 2 of the Business Rules (including the cases where it is applied *mutatis mutandis* pursuant to Article 51, Paragraph 3 and Article 56, Paragraph 2 of the Business Rules; the same applies hereinafter in this Article) shall be made by way of a book-entry transfer between the accounts that are opened at the Bank of Japan pursuant to the Book-Entry Transfer Act, and in such case, a request for the DVP

Settlement of Japanese government bonds and a Settlement Instruction (Japanese Government Bonds) shall be made in accordance with each of the following Items:

(1) Settlement between a delivering Clearing Participant and JSCC shall be made as prescribed in either A) or B) below, in accordance with the classification of the Transactions Subject to Clearing listed in either A) or B):

A) Individual Issue Transactions (including buying/selling related to Buy-In related to Subsequent Collateral Allocation Repo Transaction, Etc.)

(a) In the case where book-entry transfer is made between the accounts of the delivering Clearing Participant and JSCC:

The delivering Clearing Participant shall submit a request for the DVP Settlement of Japanese government bonds and a Settlement Instruction (Japanese Government Bonds) to the Bank of Japan.

(b) In the case where book-entry transfer is made between the accounts of the agent as stipulated in Article 50-11, Paragraph 2 of the Business Rules and JSCC:

Such agent shall submit a request for the DVP Settlement of Japanese government bonds and a Settlement Instruction (Japanese Government Bonds) to the Bank of Japan. In such case, the delivering Clearing Participant which has obtained the approval as stipulated in Article 50-11, Paragraph 2 of the Business Rules shall provide necessary instructions to such agent.

B) Subsequent Collateral Allocation Repo Transaction, Etc.

(a) In the cases where a book-entry transfer is made between the accounts of delivering Clearing Participant and JSCC:

JSCC shall submit a request for the DVP Settlement of Japanese government bonds to Bank of Japan and a delivering Clearing Participant shall submit a Settlement Instruction (Japanese Government Bonds) to Bank of Japan.

(b) In the cases where book-entry transfer is made between the accounts of the agent as stipulated in Article 50-11, Paragraph 2 of the Business Rules and JSCC:

JSCC shall submit a request for the DVP Settlement of Japanese government bonds to Bank of Japan and such agent shall submit a Settlement Instruction (Japanese Government Bonds) to Bank of Japan. In such case, the delivering Clearing Participant which has obtained the approval as stipulated in Article 50-11, Paragraph 2 of the Business Rules shall provide a necessary instruction to such agent.

- (2) With respect to the settlement between JSCC and a receiving Clearing Participant, JSCC shall submit a request for the DVP Settlement of Japanese government bonds and a Settlement Instruction (Japanese Government Bonds) to the Bank of Japan.
2. The payment/receipt of Money as stipulated in Article 50-11, Paragraph 1 of the Business Rules shall be made in accordance with each of the following Items:
- (1) A Clearing Participant making a payment of Money shall make a remittance from the current account of such Clearing Participant designated by such Clearing Participant from among its current accounts (in the case where payment/receipt of Money as stipulated in Article 50-11, Paragraph 1 of the Business Rules is made through an agent pursuant to the provisions of Paragraph 2 of Article 50-11 of the Business Rules, the current accounts of such agent) opened at the Bank of Japan for the purpose of receiving and paying money pertaining to the DVP Settlement of Japanese government bonds with the use of the Bank of Japan Financial Network System (hereinafter referred to as the "Designated Current Account") to the current account of JSCC opened at the Bank of Japan. The Settlement Instruction (Funds) in such case shall be made in accordance with A) or B) below:
- A) In the case where the remittance is made from the current account of the Clearing Participant making the payment:  
The Clearing Participant making the payment shall submit a Settlement Instruction (Funds) to the Bank of Japan.
- B) In the case where the remittance is made from the current account of the agent:  
Such agent shall submit a Settlement Instruction (Funds) to the Bank of Japan. In such case, the Clearing Participant making the payment which has obtained the approval as stipulated in Article 50-11, Paragraph 2 of the Business Rules shall provide necessary instructions to such agent.
- (2) A Clearing Participant receiving a payment of Money shall receive the payment at the Designated Current Account, and the Settlement Instruction (Funds) in such case shall be made by JSCC.
3. The request for the DVP Settlement of Japanese government bonds as stipulated in Paragraph 1 shall be made for each quantity and monetary amount specified by JSCC. In such case, JSCC shall specify such quantity under the restriction that the aggregate face value of the Japanese government bonds relating to each request for the DVP

Settlement of Japanese government bonds shall not exceed five billion (5,000,000,000) yen.

(Article 13-2 Conclusion of JGB Futures Pair-off Netting)

1. JSCC shall have JGB Futures Pair-off Netting concluded for Japanese government bonds with the quantity JSCC deems adequate, for the amount equivalent of same face value, pursuant to the provisions of Article 50-12, Paragraph 2 of the Business Rules, for JGB Futures Delivery Settlement (referring to JGB Futures Delivery Settlement set forth in Paragraph 1 thereof; the same applies hereinafter in this Article) and the Individual Issue Settlement (referring to the Individual Issue Settlement set forth in Paragraph 2 of the said Article; the same applies hereinafter in this Article).
2. Japanese government bonds which shall conclude the combination of JGB Futures Pair-off Netting as stipulated in the preceding Paragraph shall be limited to those for which scheduled settlement for the same issue that has the settlement day of JGB Futures as the settlement day for both the JGB Futures Delivery Settlement and the Individual Issue Settlement exist for the Clearing Participant with the different settlement direction of delivery to JSCC or receipt from JSCC.
3. JGB Futures Pair-off Netting stipulated in Paragraph 1 shall be concluded for the combination where total delivery quantity to JSCC and total receipt quantity from JSCC become same when the relevant quantity aggregated by JGB Futures Delivery Settlement and the individual Issue Settlement, respectively, with respect to subject Japanese government bond for each Pair-off Netting Applying Participant.

(Article 14 Calculation Formula for Fails Charges, etc.)

1. The amount prescribed by JSCC as stipulated in Article 52, Paragraph 1 of the Business Rules shall be the amount calculated by the following calculation formula:

$$\sum_{\text{Fail period}} \frac{1}{365} \times \max(3\% - \text{Reference rate}, 0) \times \text{Amount of funds delivered/received}$$

2. The meaning of the terms used in the calculation formula in the preceding Paragraph shall be as prescribed in each of the following Items:
  - (1) Reference rate shall be zero (0) so long as the target for Bank of Japan is pursuing a strategy of controlling the monetary base as the operating target in its money market operations. In such case, if the operating target in Bank of Japan's money market operations is changed from monetary base to uncollateralized overnight call

rate, then with respect to the fail period on and after the day immediately following the date of such change, Reference rate shall be the target level (or if it is indicated by target band, the lower limit of the target band) of the uncollateralized overnight call rate on each day (with respect to the date of implementation of the change of target band, if any, the target band on the previous day (if it is indicated by target band, the lower limit of the band), and if the operating target in Bank of Japan's money market operations is changed to any indicator other than uncollateralized overnight call rate, then with respect to the fail period on and after the day immediately following the date of such change, Reference rate shall be the rate that is deemed by JSCC to be appropriate.

- (2) Amount of funds delivered means the market value of the Security Settlement Obligation of the Settlement Related to Fail.
- (3) Fail period means a period commencing on the day Fail occurs (for the settlement specified by JSCC pursuant to the provisions in Article 84-2, Paragraph 1 or Article 84-3, the original Settlement Day, Etc. of such settlement) to the day immediately preceding the day the Fail is resolved (for the settlement specified by JSCC pursuant to the provisions in Article 84-2, Paragraph 1 or Article 84-3, the day specified in Article 27 or Article 28).
3. JSCC shall notify the difference between the total amount to be paid and the total amount to be received for Fails Charges related to each Clearing Participant for the preceding month to such Clearing Participant by the tenth (10th) business day each month.
4. A Clearing Participant shall pay/receive to/from JSCC the difference as stipulated in the preceding Paragraph on the day specified by JSCC.

(Article 15 Japanese Government Bonds for Which Redemption Day is Deemed to Have Arrived When Interest Payment Day Arrives)

Japanese government bonds prescribed by JSCC as stipulated in Article 54, Paragraph 1 and Article 70-8, Paragraph 4 of the Business Rules shall be Coupon only book-entry transfer Japanese government bonds.

(Article 16 Present Value Related to Variation Margin)

The present value of the amount of Money received or paid in relation to the Transactions Subject to Clearing as stipulated in Article 65, Paragraphs 1 and 2 of the

Business Rules shall be, in accordance with the classifications of the Transactions Subject to Clearing listed in each of the following Items, the sum of the amounts calculated pursuant to the provisions of each respective Item:

(1) Buying and Selling, Etc. of Japanese Government Bonds

The total amount, by distinction of receipt and payment, of the present value of the difference between the amount of Money received and the amount of Money paid in relation to Buying and Selling, Etc. of Japanese Government Bonds for each Settlement Day, Etc. (limited to such day which arrives on or after the third (3rd) day (excluding holidays) from the Calculation Day (referring to a day on which the Variable Margin is calculated; the same applies hereinafter in this Article and Article 19); the same applies hereinafter in this Article) and for each issue (in the case where the regular transfer day (referring to the immediately following day from the Calculation Day; the same applies hereinafter) arrives no later than the day immediately preceding the interest payment day (limited to the day that first arrives on or after the Calculation Day and if such day falls on a bank holiday, following day which is not a holiday; the same applies hereinafter) of such issue, the difference between (i) the amount of Money received in relation to Buying and Selling, Etc. of Japanese Government Bonds for which the Settlement Day, Etc. arrives on or after such interest payment day added by the amount equal to the interest of such issue and (ii) the amount of Money paid added by the amount equal to the interest of such issue) as of the regular transfer day which is calculated using the discount rate prescribed by JSCC for each Settlement Day, Etc. and for each issue.

(2) Cash-secured Bond Lending Transaction, Etc. and Standard Repo Transaction, Etc.

The total amount, by distinction of receipt and payment, of the present value of the difference between the amount of Money received and the amount of Money paid in relation to Cash-secured Bond Lending Transaction, Etc. and Standard Repo Transaction, Etc. for each Settlement Day, Etc. and for each issue as of the regular transfer day which is calculated using the discount rate prescribed by JSCC for each Settlement Day, Etc. and for each issue (in the case where the regular transfer day falls on the interest payment day, the difference between (i) the present value of the Money received in relation to the Cash-secured Bond Lending Transaction, Etc. and Standard Repo Transaction, Etc. subtracted by the amount equal to the interest and (ii) the present value of the amount of Money paid subtracted by the amount equal to the interest).

## (3) Subsequent Collateral Allocation Repo Transactions, Etc.

The total amount, by distinction of receipt and payment, of the present value of the difference between the amount of Money received and the amount of Money paid in relation to the Ending Delivery Amount in relation to Subsequent Collateral Allocation Repo Transactions, Etc. for each Settlement Day, Etc. and for each Basket as of the regular transfer day which is calculated using the discount rate prescribed by JSCC for each Settlement Day, Etc. and for each Basket.

## (Article 17 Present Value Related to Fail)

The present value of the amount of Money received or paid in relation to fail as stipulated in Article 66, Paragraphs 1 and 2 of the Business Rules shall be the total amount, by distinction of receipt and payment, of the present value of the difference between the amount of Money received and the amount of Money paid in relation to fail for each issue as of the regular transfer day which is calculated using the discount rate prescribed by JSCC for each issue by deeming the day immediately following the calculation day (referring to a day on which such difference is calculated; the same applies hereinafter in this Article) as the settlement day in the case of fail (in the case where the regular transfer day falls on the interest payment day, the difference between (i) the present value of the Money received in relation to fail subtracted by the amount equal to the interest and (ii) the present value of the amount of Money paid in relation to fail subtracted by the amount equal to the interest).

## (Article 18 Discount Rate Used for Calculation of Present Value)

The discount rate prescribed by JSCC in the calculation of present value as stipulated in the preceding two (2) Articles shall be a discount rate prescribed by JSCC based on the Tokyo Repo Rate (reference institutions average) published by the Japan Securities Dealers Association; provided, however, that such discount rate shall be a discount rate prescribed by JSCC at each time when JSCC deems necessary.

## (Article 19 Market Value Related to Variation Margin)

1. The market value of the Japanese government bonds in the quantity received or delivered in relation to the Transactions Subject to Clearing as stipulated in Article 65, Paragraphs 1 and 2 of the Business Rules shall be the total amount calculated in accordance with the classification of the Transaction subject to clearing specified in

each of the following Items, calculated in a manner specified therein:

(1) Individual Transaction

The total amount, by distinction of receipt and delivery, of the amount (any fractional amount less than one (1) yen shall be rounded down) of the quantity received or delivered for each issue for which Settlement Day, Etc. arrives on or after the third(3rd) day (excluding holidays) from the Calculation Day appraised based on the average price stated in the reference statistical prices for over-the-counter transactions published by the Japan Securities Dealers Association as of the day immediately following the Calculation Day (if such issue is other than Japanese government bonds with floating rate or Inflation-indexed Japanese government bonds and if issue date of such issue arrives on or after the third(3rd) day (excluding holidays) from the Calculation Day, the price calculated, on the basis of Settlement Day, Etc., by using the average yield of such issue) added by all accrued interest (any fractional amount less than one (1) yen shall be rounded down) for the number of days up to the immediately following day of the Calculation Day (if such issue is other than Japanese government bonds with floating rate or Inflation-indexed Japanese government bonds and if issue date of such issue arrives on or after the third(3rd) day (excluding holidays) from the Calculation Day, up to the Settlement Day, Etc.).

(2) Subsequent Collateral Allocation Repo Transaction, Etc.

The total amount, by distinction of receipt and payment, of the Money to be received amount and the Money to be paid in relation to the Rewind Monetary Payment Obligation for which Settlement Day, Etc. arrives on the immediately following day of the Calculation Day, for each Basket.

2. The market value of the Japanese government bonds in the quantity received or delivered in relation to fail prescribed in Article 66, Paragraphs 1 and 2 of the Business Rules shall be the total amount, by distinction of receipt and delivery, of the amount (any fractional amount less than one (1) yen shall be rounded down) of the quantity received or delivered for each issue appraised based on the average price of such issue stated in the reference statistical prices for over-the-counter transactions published by the Japan Securities Dealers Association as of the day immediately following the Calculation Day, added by all accrued interest (any fractional amount less than one (1) yen shall be rounded down) for the number of days up to the immediately following day of the Calculation Day.

3. The price as stipulated in the preceding two (2) Paragraphs related to the issue for which the reference statistical prices for over-the-counter transactions as of the day immediately following the Calculation Day is not published by the Japan Securities Dealers Association shall be prescribed by JSCC at each time.

(Article 20 Rate of Interest on Variation Margin)

The interest rate prescribed by JSCC as stipulated in Article 67, Paragraphs 1 and 2 of the Business Rules shall be a rate prescribed by JSCC based on the weighted average of uncollateralized overnight call rate published by the Bank of Japan on the day immediately preceding the day of return; provided, however, that such rate shall be a rate prescribed by JSCC at each time when JSCC deems necessary.

(Article 21 Method of FOS Settlement)

Payment/receipt of .Money as stipulated in Article 69, Paragraphs 1 and 2 of the Business Rules (including cases where it is applied *mutatis mutandis* pursuant to Article 57, Paragraph 2, Article 59, Paragraph 2, Article 60, Paragraph 2, Article 62, Paragraph 2 and Article 63, Paragraph 2 of the Business Rules; the same applies hereinafter in this Article) shall be made in accordance with each of the following Items:

- (1) A Clearing Participant making a payment of .Money shall make a remittance from the current account of such Clearing Participant (in the case where payment/receipt of .Money as stipulated in Article 69, Paragraph 1 of the Business Rules is made through an agent pursuant to Paragraph 2 of said Article of the Business Rules, the current account of such agent) to the current account of JSCC.
- (2) A Clearing Participant receiving .Money shall receive the .Money at the current account designated pursuant to the preceding Item.

(Article 21-2 Cutoff Time for Additional Deposit of Initial Margin)

Additional deposit of Initial Margin as stipulated in Article 70, Paragraphs 2 of the Business Rules shall be made by the cutoff time prescribed in each of the following Items in accordance with the classification of Initial Margin prescribed therein.

- (1) Deposit in relation to First Required Margin Amount stipulated in Article 2 Paragraph 2 of Rules on Required Initial Margin Amount related to JGB OTC Transaction : At 10:00 a.m. on the day on which a shortage as stipulated in Article 70, Paragraph 2 is occurred (hereinafter referred to as "Shortage Occurrence Day".)

(2) Deposit in relation to Second Required Margin Amount stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction : At 2:00 p.m. on the Shortage Occurrence Day

(3) Deposit in relation to Third Required Margin Amount stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction : At 4:30 p.m. on the Shortage Occurrence Day.

(Article 21-3 Cutoff time for Additional Deposit for JGB OTC Transaction Clearing Fund)

Additional deposit of JGB OTC Transaction Clearing Fund as stipulated in Article 70-5, Paragraphs 2 of the Business Rules shall be made by 4:30 p.m. on the day such shortage has occurred.

(Article 22 Method of Deposit Money as Initial Margin and JGB OTC Transaction Clearing Fund)

1. The deposit of .Money as stipulated in Article 15, Article 70, Article 70-5 and Article 90-4, Paragraph 2, of the Business Rules shall be made from a current account of the Clearing Participant (in the case where the deposit of .Money as stipulated in Article 70-2 and Article 70-4, Paragraph 1, Article 70-5 and Article 90-4, Paragraph 2 of the Business Rules is made through an agent pursuant to Article 70-9 of the Business Rules, a current account of such agent; the same applies hereinafter in this Article) to the current account of JSCC in the BOJ Current Accounts transactions.
2. The refund as stipulated in Article 70-3, Paragraph 1 and Article 70-7 of the Business Rules in relation to the .Money deposited pursuant to the preceding Paragraph shall be made from the current account of JSCC to a current account of the Clearing Participant in the BOJ Current Accounts transactions.

(Article 23 Handling of Revision of Required Initial Margin Amount by Calling Intra-day Initial Margin)

1. The standard prescribed by JSCC as stipulated in Article 70-4, Paragraph 1 of the Business Rules shall be the case where, in relation to the long-term Japanese government bond Futures Transactions (referring to the transaction listed in Article 2, Paragraph 21, Item (1) of the Act concerning Japanese government bonds related to the standardized instruments of long-term Japanese government bonds prescribed by the Osaka Exchange, Inc. (hereinafter referred to as the "OSE"); the same applies

hereinafter) which is the central contract month transaction (referring to the contract month transaction prescribed by JSCC as the contract month transaction with highest liquidity), the difference between the contract price at the time of closing of the morning session and the contract price at the time of closing of the afternoon session of the preceding day exceeds the value prescribed by JSCC in advance.

2. The increase of Required Initial Margin Amount stipulated in Article 70-4, Paragraph 1 of the Business Rules shall be made by increasing the Second Required Margin Amount and the Third Required Margin Amount as stipulated in Article 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction for each Clearing Participant (in the case of a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the Required Initial Margin Amount for such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision added by the Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision; the same applies hereinafter in this Article) of such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision, and in the case of a Clearing Participant which is the Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision, the Required Initial Margin Amount for such Clearing Participant which is the Parent Company, Etc. added by the Required Initial Margin Amount for the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision) by a method prescribed by JSCC in advance.
3. When applying the provisions of the preceding Paragraph to a Clearing Participant which has several Netting Accounts, the term "Required Initial Margin Amount for such/the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for such/the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision" and the term "Required Initial Margin Amount for such Clearing Participant which is the Parent Company, Etc." shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for such Clearing Participant which is the Parent Company, Etc."
4. In the case where the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) of a Clearing Participant Guaranteed by Parent Company,

Etc. under Special Provision has several Netting Accounts, when applying the provisions of Paragraph 2 to such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the term "Required Initial Margin Amount for the Parent Company, Etc. of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision: the same applies hereinafter in this Article)" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for the Parent Company, Etc. of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision: the same applies hereinafter in this Article)."

5. In the case where a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision has several Netting Accounts, when applying the provisions of Paragraph 2 to a Clearing Participant which is the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the term "Required Initial Margin Amount for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision" shall be deemed to be replaced with "sum of the Required Initial Margin Amount for each Netting Account for a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision".
6. The time prescribed by JSCC as stipulated in Article 70-4, Paragraph 2 of the Business Rules shall be the time of closing of the morning session of long-term Japanese government bonds Futures Transactions at the OSE.

(Article 24 Handling of Substituting Japanese Government Bonds)

1. The amount prescribed by JSCC as stipulated in Article 70-8, Paragraph 1 of the Business Rules shall be five hundred million (500,000,000) yen.
2. The deposit of Japanese government bonds as stipulated in Article 70-8, Paragraph 1 of the Business Rules shall be made by way of a book-entry transfer from an account of a Clearing Participant opened at the Bank of Japan pursuant to the Book-Entry Transfer Act (in the case where the deposit of substituting Japanese government bonds is made through an agent pursuant to Article 70-9, an account of such agent; the same

applies hereinafter in this Article) to the account of JSCC.

3. The refund, as stipulated in Article 70-3, Paragraph 1 and Article 70-7 of the Business Rules, in relation to the Japanese government bonds deposited pursuant to the preceding Paragraph shall be made by way of a book-entry transfer from the account of JSCC opened at the Bank of Japan pursuant to the Book-Entry Transfer Act to an account of the Clearing Participant.
- 4.. The Japanese government bonds prescribed by JSCC as stipulated in Article 70-8, Paragraph 1 of the Business Rules shall be the Japanese government bonds as stipulated in Article 2, Paragraph 1.
5. The market value prescribed by JSCC as stipulated in Article 70-8, Paragraph 2 of the Business Rules shall be the average price of such issue stated in the reference statistical prices for over-the-counter transactions published by the Japan Securities Dealers Association as of the date of the deposit day and the rate prescribed by JSCC shall be as prescribed in each of the following Items, in accordance with the classification of Japanese government bonds listed in the respective Item:
  - (1) Interest-bearing Japanese government bonds and discount Japanese government bonds (excluding Japanese government bonds with floating rate, Inflation-Indexed Japanese government bonds, Principal only book-entry transfer Japanese government bonds and Coupon only book-entry transfer Japanese government bonds)
 

A) Remaining Period within 1 year	99%
B) Remaining Period over 1 year within 5 years	99%
C) Remaining Period over 5 years within 10 years	98%
D) Remaining Period over 10 years within 20 years	95%
E) Remaining Period over 20 years within 30 years	93%
F) Remaining Period over 30 years	92%
  - (2) Japanese government bonds with floating rate
 

A) Remaining Period within 1 year	99%
B) Remaining Period over 1 year within 5 years	99%
C) Remaining Period over 5 years within 10 years	99%
D) Remaining Period over 10 years within 20 years	99%
  - (3) Inflation-Indexed Japanese government bonds
 

A) Remaining Period within 1 year	99%
B) Remaining Period over 1 year within 5 years	98%

- |   |     |
|---|-----|
| C) Remaining Period over 5 years within 10 years  | 97% |
| D) Remaining Period over 10 years within 20 years | 97% |
| E) Remaining Period over 20 years within 30 years | 97% |
| F) Remaining Period over 30 years                 | 97% |
- (4) Principal only book-entry transfer Japanese government bonds and Coupon only book-entry transfer Japanese government bonds
- |   |     |
|---|-----|
| A) Remaining Period within 1 year                 | 99% |
| B) Remaining Period over 1 year within 5 years    | 99% |
| C) Remaining Period over 5 years within 10 years  | 98% |
| D) Remaining Period over 10 years within 20 years | 94% |
| E) Remaining Period over 20 years within 30 years | 90% |
| F) Remaining Period over 30 years                 | 87% |
- (5) Treasury discount bills 99%
6. The market value and the rate to be used for multiplying the market value of the issue without the market value as stipulated in the preceding Paragraph shall be prescribed by JSCC at each time.
7. The appraised value of substituting Japanese government bonds shall be the appraised value (any fractional amount less than one (1) yen shall be rounded down) of such Japanese government bonds based on the substituting value as stipulated in Article 70-8, Paragraph 2 of the Business Rules added by accrued interest (any fractional amount less than one (1) yen shall be rounded down) for the number of days up to the deposit day.

## (Article 25 Handling of Procurement of Funds at the Time of Settlement Default)

1. The funds to be procured by JSCC pursuant to the provisions of Article 74, Paragraph 2 of the Business Rules shall be allocated, in accordance with the distinction of the cases, pursuant to the provisions of each respective Item:
- (1) If the amount to be procured by JSCC does not exceed the sum of the Base Contributions (as defined below) for the Clearing Participants other than the Clearing Participant which is the party to the obligation causing such procurement of funds and those for whom the Base Contribution is zero (0) yen (referred to as "Clearing Participant to Provide Funds" in this Article):
- JSCC shall allocate fund requirement in the manner set forth below:
- A) Five billion (5,000,000,000) yen each to Clearing Participants to Provide Funds in

the order of Average Required IM Base Amount (as defined below) from the Clearing Participant to Provide Funds for whom Average Required IM Base Amount is the largest. If the amount to be procured by JSCC is less than five billion (5,000,000,000) yen, such amount shall be allocated to the Clearing Participant to Provide Funds whose Average Required IM Base Amount is the largest, and if a fraction less than five billion (5,000,000,000) yen remains after the said allocation, such remaining amount shall be allocated to the next Clearing Participant to Provide Funds.

- B) If the aggregate amount allocated pursuant to Sub-item A) above is less than the amount to be procured by JSCC, the lesser of (i) the unallocated portion of the Base Contribution for the Clearing Participant to Provide Funds and (ii) five billion (5,000,000,000) yen (or, if the amount to be procured remaining unallocated is less than five billion (5,000,000,000) yen, such remaining amount) in the order of Average Required IM Base Amount from the Clearing Participant to Provide Funds whose Average Required IM Base Amount is the largest; and
- C) If the aggregate amount allocated pursuant to Sub-items A) and B) above is less than the amount to be procured by JSCC, the allocation under Sub-item B) shall be repeated until the amount remaining unallocated becomes zero (0) yen.
- (2) If the amount to be procured by JSCC is more than the sum of the Base Contributions for the Clearing Participants to Provide Funds:  
JSCC shall require contribution by the Clearing Participants to Provide Funds on pro-rata basis according to the ratio of the Base Contribution for the relevant Clearing Participant to Provide Funds to the aggregate Base Contributions for all Clearing Participants to Provide Funds (any fraction less than One Hundred million (100,000,000) yen shall be rounded up).
- (3) If the Clearing Participant to Provide Funds has submitted the notification prescribed by JSCC, related to the allocation  
Notwithstanding of the provisions in the preceding two (2) Items, JSCC shall allocate the amount prescribed in the relevant notification to each of the Clearing Participant to Provide Funds. As to the Clearing Participants to Provide Funds which have not submitted the notification, the funds to be procured by JSCC less the aggregate amount of the relevant allocated amounts shall be allocated according to the provisions in the preceding two (2) Items; provided, however, if the amount prescribed in the notification by the Clearing Participant to Provide Funds is less

than the amount prescribed in the preceding two (2) Items, JSCC shall allocate the funds to the Clearing Participant to Provide Funds, deeming the relevant notification has not been made.

2. The Base Contribution and the Average Required IM Base Amount mentioned in the preceding Paragraph shall be the amounts obtained as follows:

(1) Base Contribution

For each Clearing Participant, the product of the Average Required IM Base Amount for the Clearing Participant and the Base Contribution Factor (as defined below) will be obtained. If the resultant figure is zero (0) yen, then Base Contribution for such Clearing Participant is zero (0) yen, if more than zero (0) yen but not more than five billion (5,000,000,000) yen, then five billion (5,000,000,000) yen, and if more than five billion (5,000,000,000) yen, then such amount rounded down to the nearest multiples of five billion (5,000,000,000) yen.

(2) Average Required IM Base Amount

Average of daily First Required Margin Amount as stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction) during the period of past one hundred twenty (120) days (excluding holidays) for each Clearing Participant (any fractional amount less than one yen shall be rounded down).

3. JSCC shall determine the Base Contribution and the Average Required IM Base Amount according to the provisions of the immediately preceding Paragraph as of the last Business Day of March, June, September and December each year, which shall become effective as of the tenth (10th) Business Day of the following month; provided, however, that in the event of obtaining or a renunciation of a Clearing Qualification, a merger of a Clearing Participant or otherwise deemed necessary by JSCC, JSCC may apply the values obtained through the method JSCC deems appropriate from the date JSCC deems appropriate.

4. For the purpose of this Article, following Items shall be defined as follows:

(1) Base Contribution Factor

The figure determined by JSCC based on the figure obtained in the following manner: (i) allocate the Critical Funding Amount to Clearing Participants using the method equivalent to the one set forth in Paragraph 1, Item (1) in such manner that the contribution allocated to each of the top 20 Clearing Participants in terms of the amount of the Average Required IM Base Amount becomes even; and (ii) divide the

contribution allocated to each of such 20 Clearing Participants by the Average Required IM Base Amount for the Clearing Participant whose Average Required IM Base Amount is the smallest among the said 20 Clearing Participants;

(2) Critical Funding Amount

The amount determined by JSCC based on the amount equivalent to the minimum amount covering 97.72% confidence level of the 3-day Largest Fund Requirements less the amount expected to be procured through the methods set forth in Article 74, Paragraph 1 of the Business Rules in the past 250 day period (excluding holidays) for each Clearing Participant and Clearing Participant Group. In this Item, the minimum amount covering 97.72% confidence level means the smallest figure of the 3-day Largest Fund Requirements out of those constituting upper 2.28%, such that the proportion of the number of the 3-day Largest Fund Requirements smaller than such figure exceeds 97.72% of the entire number of the 3-day Largest Fund Requirements during the past 250 day period.

(3) 3-day Largest Fund Requirement

Amount set forth in Sub-items A) through C) below:

- A) With respect to a Clearing Participant, assuming an occurrence of a Settlement Default of the Clearing Participant on a certain day, the largest amount of the funds required to be procured for the performance of the obligation to be performed by such Clearing Participant (excluding the obligations to be performed in respect of its trust accounts) on each day during the period of 3 days on and after the date of occurrence of such Settlement Default (excluding holidays);
- B) With respect to a Clearing Participant Group, assuming an occurrence of a Settlement Default of any one of the Clearing Participants in the relevant Clearing Participant Group on a certain day, the largest amount of the funds required to be procured for the performance of the obligation to be performed by all Clearing Participants in the relevant Clearing Participant Group (excluding the obligations to be performed in respect of their trust accounts) on each day during the period of 3 days on and after the date of occurrence of such Settlement Default (excluding holidays); and
- C) With respect to a Clearing Participant having trust accounts, assuming an occurrence of a Settlement Default of the Clearing Participant on a certain day, the largest amount of the funds required to be procured for the performance of

the obligation to be performed by such Clearing Participant in respect of its trust accounts on each day during the period of 3 days on and after the date of occurrence of such Settlement Default (excluding holidays).

(4) Clearing Participant Group

When a Clearing Participant has one or more affiliates (as used herein, "affiliates" means subsidiaries, affiliates and the parent of a company, and subsidiaries and affiliates of such parent) which also are Clearing Participants, that Clearing Participant and such other Clearing Participants.

(Article 26 Total Market Value Used for the Appraisal of JGB Delivery/Return Obligations)

1. The total market value prescribed by JSCC as stipulated in Article 79, Paragraph 2, Item (2), A), (b) and B), (b) of the Business Rules shall be the sum of the values of such JGB Delivery/Return Obligations appraised based on the average price of such issue stated in the reference statistical prices for over-the-counter transactions published by the Japan Securities Dealers Association as of the third (3rd) day (excluding holidays) from the day the Cause of Closeout Netting occurred, added by all accrued interest (any fractional amount less than one (1) yen shall be rounded down) for the number of days up to the third (3rd) day (excluding holidays) from the day the Cause of Closeout Netting occurred.
2. The price as stipulated in the preceding Paragraph of the issue for which the reference statistical prices for over-the-counter transactions as of the third (3rd) day (excluding holidays) from the day the Cause of Closeout Netting occurred is not published by the Japan Securities Dealers Association shall be prescribed by JSCC at each time.

(Article 27 Handling of Fail in the Case of Determination of Default, Etc. )

1. The day prescribed by JSCC as stipulated in Article 84-2, Paragraph 1 of the Business Rules shall be the day as specified in the relevant each Item, according to the cases specified therein:

- (1) When the original Settlement Day, Etc. is the Default Determination Day or the immediately following day of Default Determination Day in relation to a Delivering Clearing Participant: The day on which Subject Transactions for Auction constituted by the First Step Auction for Default Settlement or the Second Step Auction for Default Settlement, for which Positions subject to Default Settlement are the Security Settlement Obligation Related to Individual Issue Transactions and the

Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transactions, Etc. which owed by such delivering Clearing Participant at the timing of determination of Default, Etc. in relation to such delivering Clearing Participant is determined (including obligations related to Fails occurring as of such timing in relation to these obligations; referred to as "Security Settlement Obligation Related to Default, Etc." hereinafter in this Article) are settled.

- (2) When the original Settlement Day, Etc. is the third (3rd) day (excluding holidays) from the Default Determination Day in relation to Delivering Clearing Participant (limited to the cases where Security Settlement Obligation Related to Default, Etc. is Positions subject to Default Settlement for Second Step Auction for Default Settlement): The day on which Subject Transactions which has been constituted by Second Step Auction for Default Settlement, for which Security Settlement Obligation related to Default, Etc. is Positions subject to Default Settlement, are settled.
2. Notwithstanding of the preceding Paragraph, if the Close-out Netting of Unsettled Positions as stipulated in Article 80-5 of the Business Rules is conducted, the day prescribed by JSCC as stipulated in Article 84-2, Paragraph 1 of the Business Rules shall be the day on which such Closeout Netting of Unsettled Positions is conducted.
3. Notwithstanding of the preceding two (2) Paragraphs, the day prescribed by JSCC as stipulated in Article 84-2, Paragraph 1 of the Business Rules shall be the day specified in each of the following items, for the case specified therein:
  - (1) When the original Settlement Day, Etc. is either of two (2) days(excluding holidays) from the Default Determination Day in relation to such Delivering Clearing Participant and the redemption date of such Issue falls on the third (3rd) day (excluding holidays) from the Default Determination Day: Third (3rd) day (excluding holidays) from the Default Determination Day; and
  - (2) When the original Settlement Day, Etc. is either of three (3) days(excluding holidays) from the Default Determination Day in relation to such Delivering Clearing Participant and the redemption date of such Issue falls on the fourth (4th) day (excluding holidays) from the Default Determination Day (limited to the cases where First Step Auction for Default Settlement related to Security Settlement Obligation related to Default, Etc. become unsuccessful): Fourth (4th) day (excluding holidays) from the Default Determination Day.

(Article 28 Handling of Fails Related to Subject Transactions for Auction Constituted by Auction for Default Settlement)

1. The day prescribed by JSCC, as stipulated in Article 84-3 of the Business Rules shall be the day on which JSCC receives Japanese government bonds in relation to the settlement as stipulated in Article 80-7, Paragraph 2 of the Business Rules.
2. Notwithstanding of the preceding Paragraph, if the Close-out Netting of Unsettled Positions as stipulated in Article 80-5 of the Business Rules is conducted, the day prescribed by JSCC as stipulated in Article 84-3, of the Business Rules shall be the day on which such Closeout Netting of Unsettled Positions is conducted.

(Article 29 Deleted)

(Article 30 Notification in Relation to Opening of Netting Account)

The notification as stipulated in Article 86, Paragraph 3 shall be made by submitting a written notice in a prescribed form, to which documents that JSCC deems necessary shall be attached.

(Article 31 Application for Additional Netting Account)

The application as stipulated in Article 87, Paragraph 2 and Article 88, Paragraph 1 of the Business Rules shall be made by submitting a written application in a prescribed form, to which documents that JSCC deems necessary shall be attached.

(Article 32 Notification in Relation to Initial Margin Group)

The notification of creation of an Initial Margin Group and cancellation of the creation of an Initial Margin Group as stipulated in Article 90, Paragraph 4 of the Business Rules shall be made by submitting a written notice in a prescribed form, to which documents that JSCC deems necessary shall be attached.

(Article 33 Special Rule for Clearing Participant Which Has Initial Margin Group)

In the case where a Clearing Participant has an Initial Margin Group, one (1) Initial Margin Group shall be deemed to be one (1) Netting Account in applying the provisions of Articles 9 and 23.

(Article 34 Netting Accounts Subject to the Clearing Fund Sponsored Scheme)

1. Netting Accounts prescribed by JSCC out of those opened, set forth in Article 90-2 of the Rules are those whose trust assets are limited to a single public and corporate bond investment trust (referring to public and corporate bond investment trust set forth in Article 25, Item (2) of Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations).
2. A Sponsored Participant shall be required to set Initial Margin Group which allocates a single Netting Account set forth in the preceding provision.

(Article 35 Application and the Like Related to Use of Clearing Fund Sponsored Scheme and the Like)

1. With respect to an application to use the Clearing Fund Sponsored Scheme set forth in Paragraph 1, Article 90-3 of the Rules, a Sponsored Participant who intends to use the Clearing Fund Sponsored Scheme and a Clearing Participant who intends to become a Sponsoring Participant (in case of appointing a Back-up Sponsoring Participant set forth in Item (4), including a Clearing Participant who intends to become the said Back-up Sponsoring Participant) shall submit the prescribed Clearing Fund Sponsored Scheme Application Form to JSCC.
2. An application to change a Sponsoring Participant (including a Back-up Sponsoring Participant; the same applies hereinafter in this Article) set forth in Article 90-3, Paragraph 3 of the Rules shall be made by a submission of the prescribed Revision Form related to the Clearing Fund Sponsored Scheme Application Form to JSCC, in accordance with the classification listed in each of the following Items, by a Clearing Participant listed in the said Item.
  - (1) In case of adding a Sponsoring Participant or replacing a Sponsoring Participant with another Clearing Participant Sponsored Participant: A Sponsoring Participant who has been already appointed and a Clearing Participant who newly intends to become a Sponsoring Participant.
  - (2) In case of deleting a Sponsoring Participant: A Sponsored Participant, a Clearing Participant who continue to be appointed as a Sponsoring Participant and a Clearing Participant who intends to cease to be a Sponsoring Participant.
3. The application form set forth in the preceding Paragraph shall be required to attach the documents, acknowledged as necessary by JSCC.
4. With respect to an application set forth in Article 90-7 of the Rules, a Sponsoring Participant and a Clearing Participant who intends to cease to be a Sponsored

Participant shall submit the prescribed Cancellation Form related to the Clearing Fund Sponsored Scheme to JSCC.

(Article 36 The Amount to be Additionally Deposited by a Sponsored Participant)

1. Out of the said shortage amount set forth in Article 90-4, Paragraph 2 of the Rules, the amount determined by JSCC as the amount related to the Sponsored Netting Account shall be obtained by multiplying the said shortage amount by the amount listed in Item (1), divided by the amount listed in Item (2).
  - (1) Required JGB OTC Transaction Clearing Fund when deeming the Clearing Fund Sponsored Scheme has not been used (when multiple Sponsoring Participants are appointed for a Sponsored Netting Account, the amount obtained by multiplying the said amount by the Sponsored Clearing Fund Prorated Ratio).
  - (2) Required JGB OTC Transaction Clearing Fund Amount for a Sponsoring Netting Account

(Article 37 Cutoff time to Deposit Shortage Amount of the JGB OTC Clearing Fund Related to the Clearing Fund Sponsored Scheme)

Additional deposit to cover the shortage amount of the JGB OTC Transaction Clearing Fund set forth in Article 90-4, Paragraph 2, of the Rules shall be operated after 4:30 P.M. on the day of the occurrence of the shortage set forth in the said Paragraph.

#### Supplementary Provisions

- 1 These Rules shall come into effect on October 1, 2013; provided, however, that the provisions of Article 5 shall come into effect as from October 1, 2014, and the provisions of Articles 32 and 33 shall come into effect as from the date separately prescribed by JSCC.
- 2 During the period from the date these Rules come into effect (hereinafter referred to as the "Effective Date") to March 30, 2014, in applying Article 7, Paragraph 1, Item (10), B), the words "4.5 percent" in Article 7, Paragraph 1, Item (10), B), (a) shall be interpreted to mean "3.5 percent," and the words "6 percent" in Article 7, Paragraph 1, Item (10), B), (b) shall be interpreted to mean "4.5 percent".
- 3 During the period from March 31, 2014 to March 30, 2015, in applying Article 7, Paragraph 1, Item (10), B), the words "4.5 percent" in Article 7, Paragraph 1, Item (10), B),

(a) shall be interpreted to mean “4 percent,” and the words “6 percent” in Article 7, Paragraph 1, Item (10), B), (b) shall be interpreted to mean “5.5 percent”.

4 On the effective date, JSCC shall set aside, as JGB OTC Transaction settlement guarantee reserve, the amount of the shareholder’s equity of Japan Government Bond Clearing Corporation as of the day immediately preceding the Effective Date deducted capital, capital reserve and earned surplus of such company as of the same date.

Note. The date separately prescribed by JSCC, as mentioned in Paragraph 1, is January 14, 2014.

#### Supplementary Provisions

These revised Rules shall come into effect on November 25, 2013.

#### Supplementary Provisions

These revised Rules shall come into effect on January 14, 2014.

#### Supplementary Provisions

These revised Rules shall come into effect on the date designated by JSCC.

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

#### Supplementary Provisions

2 These revised Rules shall come into effect on March 24, 2014.

2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after March 24, 2014 designated by JSCC.

#### Supplementary Provisions

These revised Rules shall come into effect on March 31, 2014.

#### Supplementary Provisions

These revised Rules shall come into effect on June 2, 2014.

Supplementary Provisions

These revised Rules shall come into effect on August 25, 2014.

Supplementary Provisions

- 2 These revised Rules shall come into effect on October 14, 2014.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Rules shall come into effect on the date on or after October 14, 2014 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

These revised Rules shall come into effect on November 25, 2014.

Supplementary Provisions

These revised Rules shall come into effect on the date designated by JSCC.

Note: The date designated by JSCC is November 29, 2014.

Supplementary Provisions

These revised Rules shall come into effect on May 25, 2015.

Supplementary Provisions

These revised Rules shall come into effect on May 29, 2015.

Supplementary Provisions

- 3 These revised Rules shall come into effect on October 13, 2015, except for the revisions to Article 11 and Article 13, Paragraph 1 (revision of the references to “Paragraph 4” to “Paragraph 3” only), which shall come into effect on October 14, 2015, and also except for the revisions to Article 2, Paragraph 1, Item (1), which shall come into effect on January 1, 2016.
- 4 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Rules to apply due to unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than October 13, 2015.

Supplementary Provisions

These revised Rules shall come into effect on November 24, 2015.

Supplementary Provisions

These revised Rules shall come into effect on May 23, 2016.

Supplementary Provisions

These revised Rules shall come into effect on November 28, 2016.

Supplementary Provisions

These revised Rules shall come into effect on February 27, 2017.

Supplementary Provisions

These revised Rules shall come into effect on April 1, 2017.

Supplementary Provisions

These revised Rules shall come into effect on May 29, 2017.

Supplementary Provisions

These revised Rules shall come into effect on August 28, 2017.

Supplementary Provisions

These revised Rules shall come into effect on November 27, 2017.

Supplementary Provisions

These revised Rules shall come into effect on February 26, 2017.

Supplementary Provisions

- 1 These revised Rules shall come into effect on May 1, 2018.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then these revised Rules shall come into effect on the date on or after May 1, 2018 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.
- 3 JGB OTC Transaction Clearing Participant Agreement (effective on October 1, 2013) shall be abolished on the day these revised Rules come into effect.

Supplementary Provisions

These revised Rules shall come into effect on May 28, 2018.

Supplementary Provisions

These revised Rules shall come into effect on August 27, 2018.

Supplementary Provisions

These revised Rules shall come into effect on November 26, 2018.

Supplementary Provisions

These revised Rules shall come into effect on February 25, 2019.

Supplementary Provisions

These revised Rules shall come into effect on June 1, 2020.

Supplementary Provisions

These revised Rules shall come into effect on August 24, 2020.

Supplementary Provisions

These revised Rules shall come into effect on November 24, 2020.

Supplementary Provisions

These revised Rules shall come into effect on January 14, 2021.

Supplementary Provisions

These revised Rules shall come into effect on May 24, 2021.

Supplementary Provisions

These revised Rules shall come into effect on August 30, 2021.

Supplementary Provisions

1 These revised Business Rules shall come into effect on January 11, 2022.

- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation which is necessary for settlement of the Cleared Contracts between JSCC and Clearing Participants, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Business Rules shall come into effect on the date on or after January 11, 2022 designated by JSCC. In such case, matters necessary upon enforcement of these revised Business Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

These revised Rules shall come into effect on February 21, 2022.

Supplementary Provisions

These revised Rules shall come into effect on May 23, 2022.

Supplementary Provisions

These revised Rules shall come into effect on August 22, 2022.

Supplementary Provisions

These revised Rules shall come into effect on November 21, 2022.

Supplementary Provisions

These revised Rules shall come into effect on February 13, 2023.

Supplementary Provisions

These revised Rules shall come into effect on May 23, 2023.

Supplementary Provisions

These revised Rules shall come into effect on August 21, 2023.

#### Supplementary Provisions

These revised Rules shall come into effect on November 20, 2023.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on December 18, 2023.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after December 18, 2023 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on April 1, 2024.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after April 1, 2024 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on June 23, 2025.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 23, 2025 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by

JSCC at each time.

Supplementary Provisions

These revised Rules shall come into effect on August 25, 2025.

Supplementary Provisions

These revised Rules shall come into effect on March 2, 2026.

Supplementary Provisions

These revised Rules shall come into effect on June 1, 2026.

Supplementary Provisions

1 These revised Rules shall come into effect on June 8, 2026

2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

## &lt;Exhibit Form 1&gt; Form of Guarantee

## Guarantee

Date:

To [            ], President &amp; CEO of Japan Securities Clearing Corporation

Address

Trade Name or Company Name

Name of Representative (Seal)

[        ] (hereinafter referred to as the “Company”) confirms and accepts the details of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules prescribed by JSCC (hereinafter referred to as the “Business Rules”), etc. in advance and submits this Guarantee (hereinafter referred to as this “Guarantee”) to JSCC through [        ] (hereinafter referred to as the “Clearing Participant”) in accordance with the Business Rules. The terms used in this Guarantee shall have the meanings prescribed in the Business Rules, unless otherwise provided in this Guarantee.

- 1        The Company is a Parent Company, Etc. of the Clearing Participant.
  
- 2        The Company shall guarantee jointly and severally with the Clearing Participant to JSCC all current and future obligations borne by the Clearing Participant against JSCC in connection with the Japanese Government Bond Over-the-Counter Transaction Clearing Business of JSCC (including but not limited to the obligations under the Transactions Subject to Clearing to which the Cleared Contracts is a party).
  
- 3        The Company shall cooperate with the report or submission of documents by the Clearing Participant or the inspection by JSCC when JSCC requests the Clearing Participant to report or submit documents to JSCC or conducts inspection in respect of the matters concerning the Company pursuant to the provisions of Article 20 of the Business Rules (in the case the said Article is amended in accordance with the Business Rules, the provisions as amended).

4 This Guarantee shall be governed by and construed in accordance with the laws of Japan.

5 The Company agrees to the exclusive jurisdiction of the Tokyo District Court of Japan for the first instance if any lawsuit arises between JSCC and the Company in relation to this Guarantee.

End of Document

<Exhibit Form 2> The Form for JGB OTC Transaction Clearing Participant Agreement

JGB OTC Transaction Clearing Participant Agreement

Date:

To [ ], President & CEO of Japan Securities Clearing Corporation

Address

Trade Name or Company Name

Name of the Representative (Seal)

We, [ ], as a Clearing Participant of Japan Securities Clearing Corporation (hereinafter referred to as "JSCC"), hereby agree that:

1. We shall abide by and comply with JSCC's Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules and other rules currently existing and to be established or amended in the future (hereinafter referred to as the "Rules") and the methods of handling of the JGB OTC Transaction Clearing Business as prescribed by JSCC;
2. We shall submit to such measures taken by JSCC in accordance with the Rules, as rescission of our JGB OTC Transaction Clearing Qualification or suspension of assumption of obligations;
3. In cases where we renounce or forfeit JGB OTC Transaction Clearing Qualification, we shall bear any and all responsibilities concerning such renunciation or forfeiture, and shall not cause any inconvenience for JSCC, other Clearing Participants and customers;
4. In cases where we receive notice from JSCC concerning an amendment of the content of this Agreement, we shall be deemed to have consented to such amendment if we file no objection by the prescribed date; and
5. Notice given by and between JSCC and us (including documents delivered by either

party to the other party) shall be prepared in Japanese. In addition, any amount of money shall be presented in Japanese yen.

End of Document

## Rules on Fees for JGB OTC Transaction Clearing Business

## (Article 1 Purpose)

These Rules set forth necessary matters concerning the fees JSCC collects from Clearing Participants pursuant to the provisions of Article 14 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the “Business Rules”).

## (Article 2 Account Management Fee)

- 1 A Clearing Participant shall pay an account management fee to JSCC.
- 2 The account management fee prescribed in the preceding Paragraph shall be one million and seven hundred thousand (1,700,000) yen per month (in case of Clearing Participant who is a JGB OTC Transaction Agency Clearing Participant, one million and six hundred thousand (1,600,000) yen per month); provided, however, that with regard to a Clearing Participant who has opened more than one (1) Netting Accounts, etc. (referring to the Netting Account prescribed in Article 86 of the Business Rules and the Initial Margin Group prescribed in Paragraph 2, Article 90 of the Business Rules; the same shall apply hereinafter in this Article), the applicable amount shall be said amount plus an amount calculated by deducting one (1) from the number of Netting Accounts, etc. that the Clearing Participant opens multiplied by one hundred thousand (100,000) yen.
- 3 Notwithstanding the provisions of the preceding Paragraph, in the case where the date of opening or creating Netting Accounts, etc. falls on or after the second (2nd) day of a month (excluding holidays) or where said Clearing Participant applies for the closing of one or more Netting Accounts, etc. or notifies the cancellation of the creation of Netting Accounts, etc. and if the date of closing or cancelling the creation of such Netting Accounts, etc. falls on or before the day (if such day falls on a holiday, it shall be the immediately preceding business day) immediately preceding the last day of the month (if such day falls on a holiday, it shall be the immediately preceding business day), said account management fee shall be calculated on a pro rata basis based on the amount prescribed in the preceding Paragraph and the period during which said Clearing Participant has said Netting Accounts, etc.

## (Article 3 Obligation Assumption Fee)

- 1 A Clearing Participant shall pay an obligation assumption fee to JSCC.
- 2 The obligation assumption fee (monthly fee) prescribed in the preceding Paragraph shall, with respect to each Clearing Participant's transaction type as prescribed in the following Items below, be such amount as prescribed in the applicable Item:

## (1) Buying and Selling, etc. of Japanese Government Bonds

The amount of Money to be paid/received by JSCC on the Buying/Selling Settlement Day prescribed in Article 40, Paragraph 2, Item (1)E) of the Business Rules with respect to a Transaction Subject to Clearing for which assumption of obligations was performed by JSCC, multiplied by the rates specified in either A) or B) below according to the type of Japanese government bonds as specified therein:

## A) Treasury discount bills:

The portion up to 200 billion yen per month : 0.0019/10,000

The portion more than 200 billion yen up to 400 billion yen per month :  
0.00145/10,000

The portion more than 400 billion yen per month up to 1 trillion yen per month :  
0.00095/10,000

The portion more than 1 trillion yen per month up to 3 trillion yen per month :  
0.0007/10,000

The portion more than 3 trillion yen per month: 0.00028/10,000

## B) Interest-bearing Japanese government bonds and discount Japanese government bonds (excluding Treasury discount bills):

The portion up to 1 trillion yen per month: 0.0038/10,000

The portion more than 1 trillion up to 2 trillion yen per month: 0.0029/10,000

The portion more than 2 trillion up to 4 trillion yen per month: 0.0019/10,000

The portion more than 4 trillion yen up to 7 trillion yen per month: 0.0014/10,  
000

The portion more than 7 trillion yen per month: 0.00055/10,000

## (2) Cash-secured Bond Lending Transactions, Etc., Standard Repo Transaction, Etc. and Subsequent Collateral Allocation Repo Transaction, Etc.

With respect to a Transaction Subject to Clearing for which JSCC performed the assumption of obligations, for the total amount of the amount of Money to be

paid/received on the Transaction Settlement Day as stipulated in Article 40, Paragraph 2, Item (2) E) of the Business Rules, the Ending Delivery Amount as stipulated in Article 40, Paragraph 2, Item (3)E) of the Business Rules (including the Money amount paid/received on Ending Transaction Delivery Day in relation to Original Repo Transaction, Etc. as stipulated in Article 2, Item (38) A) (b) of the Business Rules and the Money amount paid/received on the Ending Transaction Delivery Day in relation to the Repo Transaction, Etc. After Issue Change as stipulated in Article 2, Item (96) of the Business Rules) and the Ending Delivery Amount as stipulated in Article 40, Paragraph 2, Item (4)E) of the Business Rules, the amount specified in either A) or B) below according to the type of transaction as specified therein:

- A) Overnight transactions (referring to as Cash-secured Bond Lending Transactions, Etc., for which Transaction Settlement Day arrives on the immediately following day of Transaction Execution Day (if such day falls on a holiday, immediately following day which is not a holiday), Standard Repo Transaction, Etc. for which Ending Transaction Delivery Day (for the transactions as stipulated in Article 2, Item (38) of the Business Rules, the Ending Transaction Delivery Day of Original Repo Transaction, etc.) arrives on the immediately following day of the Starting Transaction Delivery Day (for transactions as stipulated in said Item, the immediately following day of the Substitution Execution Day) (if such day falls on a holiday, immediately following day which is not a holiday) and Subsequent Collateral Allocation Repo Transaction, Etc. for which Ending Transaction Delivery Day arrives on the immediately following day of Starting Transaction Delivery Day (if such day falls on a holiday, immediately following day which is not a holiday) ; the same applies, hereinafter) : The total amount of the amount multiplying the number of days specified for each transaction specified in (a) multiplied by rates specified in (b).

(a)

Cash-secured Bond Lending Transactions, Etc.: The lending period (the period from the immediately following day of the Transaction Execution Day to the Transaction Settlement Day (including holidays))

Standard Repo Transaction, Etc.: The transaction period (the period from

immediately following day of the Starting Transaction Delivery Day to the Ending Transaction Delivery Day (transaction stipulated in Article 2, Item (38) A) of the Business Rules, the period from immediately following day of Substitution Execution Day to the Ending Transaction Delivery Day of Original Repo Transaction, Etc. (including holidays))

Subsequent Collateral Allocation Repo Transaction, Etc.: The transaction period (the period from immediately following day of Starting Transaction Delivery Day to Ending Transaction Delivery Day (including holidays))

(b)

The portion up to 15 trillion yen per month: 0.00028/10,000

The portion more than 15 trillion yen up to 25 trillion yen per month: 0.00017/10,000

The portion more than 25 trillion yen up to 50 trillion yen per month: 0.000085/10,000

The portion more than 50 trillion yen up to 80 trillion yen per month: 0.000055/10,000

The portion more than 80 trillion yen up to 100 trillion yen per month:  
0.000028/10,000

The portion more than 100 trillion yen per month: 0.0000095/10,000

B) Transactions other than overnight transactions: The amount multiplied by the following rates.

The portion up to 1 trillion and 500 billion yen per month: 0.0028/10,000

The portion more than 1 trillion and 500 billion yen up to 2 trillion and 500 billion yen per month: 0.0017/10,000

The portion more than 2 trillion and 500 billion yen up to 5 trillion yen per month:  
0.00085/10,000

The portion more than 5 trillion yen up to 8 trillion yen per month: 0.00055/10,000

The portion more than 8 trillion yen up to 10 trillion yen per month: 0.00028/10,000

The portion more than 10 trillion yen per month: 0.000095/10,000

3 When the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the calculation reference period for calculation of the Obligation Assumption Fee for the Transferring Account and the Receiving Account shall be prescribed in each of the following Items, for each type of transaction referenced therein:

(1) Buying and Selling, Etc. of Japanese Government Bonds, Cash-secured Bond Lending Transactions, Etc. and Standard Repo Transaction, Etc.

In calculating the amount in the Transferring Account, the calculation reference period shall be the period up to the immediately preceding business day of the day on which the relevant Transfer has completed and in calculating the amount in the Receiving Account, the calculation reference period shall be the period on and after the day on which the relevant Transfer has completed.

(2) Subsequent Collateral Allocation Repo Transaction, Etc.

In calculating the amount in the Transferring Account, the calculation reference period shall be the period up to the day on which the relevant Transfer has completed and in calculating the amount in the Receiving Account, the calculation reference period shall be the period on and after the immediately following business day on which the relevant Transfer has completed.

(Article 3-2 Fees relating to Collateral Allocation)

- 1 A Clearing Participant shall pay fees relating to Collateral Allocation to JSCC.
- 2 The fees relating to Collateral Allocation (monthly fee) stipulated in the preceding Paragraph shall be the total amount of the amount specified in each of below Items.

- (1) Collateral Allocation Fees : With respect to a delivering Clearing Participant for Collateral Allocation, the delivery amount related to Starting/Rewind JGB Delivery Obligation (Basket) for which Collateral Allocation has been performed multiplied by the following rates.

The portion up to 2 trillion and 500 billion yen per month: 0.0032/10,000

The portion more than 2 trillion and 500 billion yen up to 10 trillion yen per month:  
0.0028/10,000

The portion more than 10 trillion yen up to 15 trillion yen per month: 0.0018/10,000

The portion more than 15 trillion yen per month: 0.0005/10,000

- (2) Excess allocation fee: The number of excess allocation (referring to the Collateral Allocation, in the case as stipulated in Article 12-2, Paragraph 2 of the Handling Procedures of the Business Rules, executed pursuant to said Paragraph) multiplied

by 50,000 yen.

3 In calculating the Collateral Allocation Fee as stipulated in the preceding Paragraph, in the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the calculation reference period for the amount related to the Transferring Account of the relevant Customer Position shall be the period up to the day on which the relevant Transfer has completed and the calculation reference period for the amount related to the Receiving Account shall be the period on and after the immediately following business day on which the relevant Transfer has completed.

(Article 4 Balance Management Fee)

- 1 A Clearing Participant shall pay a balance management fee to JSCC.
- 2 The amount of the balance management fee prescribed in the preceding Paragraph shall be determined in accordance with Appendix 1 “Table for the Calculation of the Amount of Balance Management Fee.”

(Article 5 Settlement Day Management Fee)

- 1 A Clearing Participant shall pay a settlement day management fee to JSCC.
- 2 The amount of the settlement day management fee prescribed in the preceding Paragraph shall be determined in accordance with Appendix 2 “Table for the Calculation of the Amount of Settlement Day Management Fee.”

(Article 6 DVP Settlement Fee)

- 1 A Clearing Participant shall pay a DVP settlement fee to JSCC.
- 2 The DVP settlement fee prescribed in the preceding Paragraph shall be the total of the amounts prescribed in the following Items:
  - (1) The amount obtained by multiplying the number of book-entry transfers of Japanese government bonds made between a Clearing Participant (including the agent prescribed in Article 50-11, Paragraph 2 of the Business Rules) and JSCC for the delivery/receipt of Japanese government bonds prescribed in Article 50-11, Paragraph 1 or 2 of the Business Rules (including the cases where they are applied *mutatis mutandis* pursuant to the provisions of Article 51, Paragraph 3 and Article 56, Paragraph 2 thereof; the same shall apply hereinafter) by one hundred and fifty

- (150) yen; and
- (2) The amount obtained by multiplying the number of payments/receipts of Money prescribed in Article 57, Paragraph 1, Article 59, Paragraph 1, Article 60, Paragraph 1, Article 62, Paragraph 1, and Article 63, Paragraph 1 of the Business Rules by one and fifty (150) yen.
- 3 In the case where a Settlement Related to Fail is made pursuant to the provisions of Article 51, Paragraph 4 of the Business Rules or where a payment/receipt of Money is made pursuant to the provisions of Article 54, Paragraph 1 or 2 of the Business Rules, a Settlement Related to Fail shall be deemed to have been made pursuant to the provisions of Article 51, Paragraph 3 of the Business Rules, and the provisions of Item (1) of the preceding Paragraph shall apply.
- 4 For delivery/receipt of Japanese government bonds and payment/receipt of Money related to settlement of Subject Transactions for Auction executed by the First Step Auction for Default Settlement and Second Step Auction for Default Settlement, the provisions in preceding three (3) Paragraphs shall apply *mutatis mutandis*.
- 5 In calculating the DVP Settlement Fee prescribed in Paragraph 2, in the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the calculation reference period for the amount related to the Transferring Account of the relevant Customer Position shall be the period up to the day on which the relevant Transfer becomes completed and the calculation reference period for the amount related to the Receiving Account shall be the period on and after the immediately following business day on which the relevant Transfer has completed.

(Article 7 Collateral Management Fee)

- 1 A Clearing Participant shall pay a collateral management fee to JSCC.
- 2 The amount of the collateral management fee prescribed in the preceding Paragraph shall be calculated by multiplying the number of Initial Margin refunds and JGB OTC Transaction Clearing Fund refunds made by JSCC based on the requests of a Clearing Participant by two hundred (200) yen.
- 3 In calculating the Collateral Management Fee as stipulated in the preceding Paragraph, in the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the calculation

reference period for the amount related to the Transferring Account of the relevant Customer Position shall be the period up to the day on which the relevant Transfer has completed and the calculation reference period for the amount related to the Receiving Account shall be the period on and after the immediately following business day on which the relevant Transfer has completed.

(Article 7-2 Customer Transfer Fee)

- 1 In the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1, the Receiving Clearing Participant shall pay the Customer Transfer Fee to JSCC.
- 2 The Customer Transfer Fee as stipulated in the preceding Paragraph shall be the amount obtained by multiplying the number of the Transfer of the Customer Position by ten thousand (10,000) yen.

(Article 8 Handling of Commissioned Transactions)

- 1 With respect to a JGB OTC Transaction Agency Clearing Participant and a Clearing Participant holding Trust Account, notwithstanding the provisions of Article 2, the total amount of the fees prescribed in said Articles related to the Netting Account related to the Brokerage for Clearing of Securities, Etc. (excluding those related to the customer which belongs to the same corporate group (as defined in Article 5, Paragraph 1, Item (2) of the Financial Instruments and Exchange Act) , as determined by JSCC, of as such JGB OTC Transaction Agency Clearing Participant) and the Netting Account which is a Trust Account (hereinafter referred to as the “Netting Account Related to Commissioned Transactions” ) shall be limited to the maximum amount of two million (2,000,000) yen per month and notwithstanding the provisions of Articles 3 through Article 6 and Article 7-2, the total sum of the fees as stipulated in the relevant each Article related to the Netting Account Related to Commissioned Transactions shall be limited to the maximum amount of five million (5,000,000) yen per month.
- 2 With respect to a Clearing Participant holding both Netting Account Related to Commissioned Transactions and Netting Account other than Netting Account Related to Commissioned Transactions, the provision in the preceding Paragraph shall apply to the portion corresponding to Netting Account Related to Commissioned Transactions.

(Article 9 Payment Date of Fees)

The payment date of the fees to JSCC prescribed in Article 2 through the preceding Article shall be the twentieth (20th) day (if such day falls on a holiday, it shall be the immediately following business day) of each month, and the fees for the immediately preceding month shall be paid together with the amount equivalent to the applicable consumption tax and local consumption tax.

Supplementary Provisions

These Rules shall come into effect on October 1, 2013.

Supplementary Provisions

These revised Rules shall come into effect on January 14, 2014.

Supplementary Provisions

These revised Rules shall come into effect on October 14, 2014.

Supplementary Provisions

- 4 These revised Rules shall come into effect on May 1, 2018; provided however, Excess Allocation Fee as stipulated in Article 3-2, Paragraph 2, Item (3) shall not apply for the time being.
- 5 Notwithstanding the provisions of the preceding Paragraph, the provisions in Article 10-2, Paragraph 2 and Paragraph 3 of the said Article shall come into effect on the date on or April 1, 2019.
- 6 Notwithstanding the provisions of the preceding two Paragraphs, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then these revised Rules shall come into effect on the date on or after May 1, 2018 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

- 1 These revised Rules shall come into effect on April 1, 2024.

- 2 Notwithstanding the provisions of the preceding Paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then these revised Rules shall come into effect on the date on or after April 1, 2024 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on June 8, 2026
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

## Appendix 1

## Table for the Calculation of the Amount of Balance Management Fee

The amount of the balance management fee payable by each Clearing Participant shall be the total monthly amount calculated on the calculation day using the calculation formula stipulated in Paragraph 1 herein, multiplied by the rate prescribed in Paragraph 2:

1 Subject amount on each Calculation Day, etc.

= Total amount of Money Settlement Obligations between each Clearing Participant and JSCC with the same Settlement Day, Etc. × Number of days to the immediately following business day ÷ 365

## 2 Rates

The portion up to 200 billion yen per month 0.031/10,000

The portion more than 200 billion yen up to 300 billion yen per month 0.029/10,000

The portion more than 300 billion yen per month 0.027/10,000

## Note

- 1 The Monetary Settlement Obligations shall include the Monetary Settlement Obligation Related to Individual Issue Transaction, the Monetary Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. and obligation related to Money paid/received for the settlement of Subject Transactions for Auction constituted by the First Step Auction for Default Settlement and the Second Step Auction for Default Settlement.
- 2 For the Monetary Settlement Obligations Related to Individual Issue Transaction and obligations related to Money paid/received for the settlement of Subject Transactions for Auction constituted by the First Step Auction for Default Settlement and the Second Step Auction for Default Settlement, obligations for which Settlement Day, Etc. arrives on and after the second (2nd) day from the

Calculation Day shall be the subject of the calculation.

- 3 For the Monetary Settlement Obligations Related to Subsequent Collateral Allocation Repo Transaction, the remained amount after netting calculation of the Ending/Unwind JGB Delivery Obligation (Basket) and the Starting/Rewind JGB Delivery Obligation (Basket) for which Settlement Days, Etc. are same and for obligations for which Settlement Day, Etc. arrives on and after the second (2nd) day from the Calculation Day, shall be the subject of the calculation shall be the subject of the calculation.

- 4 The number of days to the immediately following business day shall be the number of days from the calculation day to the day immediately preceding the business day after such calculation day (including holidays)-

- 5 In calculating Subject amount on each Calculation Day, etc., as stipulated in Paragraph 1, in the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the calculation reference period for the amount related to the Transferring Account of the relevant Customer Position shall be the period up to the immediately preceding business day of the day on which the relevant Transfer has completed and the calculation reference period for the amount related to the Receiving Account shall be the period on and after the day on which the relevant Transfer has completed.

## Appendix 2

## Table for the Calculation of the Amount of Settlement Day Management Fee

The daily amount of the Settlement Day management fee payable by each Clearing Participant shall be the total amount of the Settlement Day management fees calculated on the respective Settlement Day, Etc. using the following calculation formula:

Settlement day management fee on each Settlement Day, Etc.

= Total transaction amount of Transactions Subject to Clearing relating to obligations with the same Settlement Day, Etc. assumed each day from each Clearing Participant × Number of excess days to Settlement Day, Etc. ÷ 365 × 0.015 / 10,000

Note 1 The Transactions Subject to Clearing relating to obligations assumed each day from each Clearing Participant shall be limited to those whose Settlement Day, Etc. (in the case of a Cash-secured Bond Lending Transactions, Etc., the Transaction Settlement Day; in the case of a Standard Repo Transaction, Etc., the Ending Transaction delivery day) arrives on or after the third (4th) day (excluding holidays) from the obligation assumption day.

2 In the case of a Buying and Selling, Etc. of Japanese Government Bonds, the transaction amount of Transactions Subject to Clearing shall be the amount of Money to be paid/received on the Buying/Selling Settlement Day prescribed in Article 40, Paragraph 2, Item (1)E) of the Business Rules. In the case of a Cash-secured Bond Lending Transaction, Etc., said amount shall be the amount of Money to be paid/received on the Transaction Settlement Day prescribed in Item (2)C) of said Paragraph. In the case of a Repo Transaction, Etc., said amount shall be the amount of Money to be paid/received on the Ending Transaction delivery day prescribed in Item (3) D) of said Paragraph (including the amount of Money to be paid/received on the Ending Transaction delivery day with respect to the Original Repo Transaction, Etc. prescribed in Article 41, Paragraph 1, Item (1) B) of the Business Rules and the amount of Money to be paid/received on the Ending

Transaction delivery day with respect to the Repo Transaction, Etc. After Issue Change prescribed in Item (2) of said Paragraph).

3 The number of excess days to Settlement Day, Etc. shall be the number of days from the day immediately following the third (3rd) day (excluding holidays) from the calculation day to the Settlement Day, Etc. (in the case of a Cash-secured Bond Lending Transactions, Etc., the Transaction Settlement Day; in the case of a Standard Repo Transaction, Etc. and Subsequent Collateral Allocation Repo Transaction, Etc., the Ending Transaction delivery day) (including holidays).

4 In calculating the daily amount of the Settlement Day Management Fee, as stipulated in the Paragraph 1, in the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the calculation reference period for the amount related to the Transferring Account of the relevant Customer Position shall be the period up to the immediately preceding business day of the day on which the relevant Transfer has completed and the calculation reference period for the amount related to the Receiving Account shall be the period on and after the day on which the relevant Transfer has completed.

## Rules on Required Initial Margin Amount related to JGB OTC Transaction

## (Article 1 Purpose)

These Rules set forth the matters related to the Required Initial Margin Amount pursuant to the provisions of Article 70-2 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the "Business Rules").

## (Article 2 Required Initial Margin Amount)

1. The Required Initial Margin Amount for each Clearing Participant shall be the amount calculated for each Clearing Participant pursuant to *Appendix "Table Concerning Calculation of Required Initial Margin Amount"*
2. The calculation of Required Initial Margin Amount stipulated in preceding Paragraph shall be executed at 7:00 a.m., 11:00 a.m. and 2:00 p.m. on the day such calculation is executed (hereinafter referred to as the "Calculation Day"). In such case, the Required Initial Margin Amount calculated at 7:00 a.m., shall be referred to as the "First Required Margin Amount", the Required Initial Margin Amount calculated at 11:00 a.m., shall be referred to as the "Second Required Margin Amount" and the Required Initial Margin Amount calculated at 2:00 p.m., shall be referred to as the "Third Required Margin Amount" (the same applies hereinafter in this Article).
3. Notwithstanding the provisions of the preceding two Paragraphs, the Required Initial Margin Amount for an entity which has newly obtained the Clearing Qualification shall be the amount specified by JSCC at each time taking into account such information as the scale of the business of the entity, its trading records and trading prospects and the amount of money obtained by dividing the sum of the Required Initial Margin Amount for each Clearing Participant as of the date on which applications for the Clearing Qualification were submitted by the number of the Clearing Participants, and such Required Initial Margin Amount shall be applied for the period JSCC deems necessary.
4. Notwithstanding the provisions of Paragraph 1 and Paragraph 2, when the Customer Position is Transferred as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the Required Initial Margin Amount for the Receiving Account of the relevant Customer Position on the day on which the relevant Transfer has

completed, shall be the latest Third Required Margin Amount calculated for the Transferring Account.

(Article 3 Change of Required Initial Margin Amount)

1. Notwithstanding the provisions of the preceding Article, JSCC may, when a Clearing Participant falls under any of the events listed in the following Items, increase the Required Initial Margin Amount (when a Clearing Participant falls under Item (2), excluding the Required Initial Margin Amount in relation to the Trust Accounts) for such Clearing Participant for the period JSCC deems necessary.
  - (1) In the case where the Clearing Participant no longer satisfies the requirements as stipulated in Article 7, Paragraph 1, Item (2), A), (b) or B), (b), and when JSCC deems it necessary.
  - (2) When the Required Initial Margin Amount (excluding the Required Initial Margin Amount in relation to the Trust Accounts; the same applies hereinafter in this Item) for the Clearing Participant (in the case of a Clearing Participant for which a Guarantee by the Parent Company, Etc. has been extended by its Parent Company, Etc. (hereinafter referred to as the "Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision"), the Required Initial Margin Amount for such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision added by the Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision: the same applies hereinafter) of such Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, and in the case of a Clearing Participant which is the Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision, the Required Initial Margin Amount for such Clearing Participant which is the Parent Company, Etc. added by the Required Initial Margin Amount for the Clearing Participant Guaranteed by Parent Company, Etc. under Special Provision) becomes not less than the amount of net worth (*jun zaisan*) (in the case of a Clearing Participant which is not a Financial Instrument Business Operator, the amount of net assets (*jun shisan*) or the equivalent amount) of such Clearing Participant (in the case of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision, the Parent Company, Etc. of such

- Clearing Participant by Parent Company, Etc. under Special Provision) multiplied by the rate prescribed by JSCC.
2. Notwithstanding the provisions of the preceding Article, when the Required Initial Margin Amount in relation to a Trust Account for a Clearing Participant which is the trustee of a trust (in the case of a Clearing Participant which has several Trust Accounts, the sum of the Required Initial Margin Amount in relation to the Trust Accounts for such Clearing Participant) becomes not less than the amount obtained by multiplying (x) the amount of balance of Japanese government bonds in the balance of trust assets delegated to such Clearing Participant multiplied by the value obtained by subtracting, from one (1), such value as is obtained by dividing the largest value of the Market Price Fluctuation Risk Factor prescribed in Paragraph 1, Item (2), Note (1) of *Appendix* by one hundred (100), by (y) the rate prescribed by JSCC, JSCC may increase the Required Initial Margin Amount in relation to a Trust Account for such Clearing Participant (in the case of a Clearing Participant which has several Trust Accounts, the Required Initial Margin Amount in relation to each Trust Account for such Clearing Participant) for the period JSCC deems necessary.
  3. In addition to the cases as stipulated in the preceding two (2) Paragraphs, notwithstanding the provisions of the preceding Article, JSCC may, on a temporary basis, change the Required Initial Margin Amount in cases where a Clearing Participant merges or JSCC otherwise deems necessary.

(Article 4 Special Rule for Clearing Participant Which Has Several Netting Accounts)

1. When applying the provisions listed in the left column of the following table to a Clearing Participant which has several Netting Accounts, the terms in these provisions as stipulated in the middle column of said table shall be replaced with the terms as stipulated in the right column of said table:

Article 2, Paragraph 1	Required Initial Margin Amount for each Clearing Participant shall	Required Initial Margin Amount for each Netting Account of each Clearing Participant shall
	for each Clearing Participant pursuant to <i>Appendix</i>	for each Netting Account for each Clearing Participant pursuant to <i>Appendix</i>

Article 2, Paragraph 3	for an entity which has newly obtained the Clearing Qualification	for each Netting Account of an entity which has newly obtained the Clearing Qualification or opened a Netting Account
Article 3, Paragraph 1 (excluding Item (2))	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account
Article 3, Paragraph 1, Item (2)	Required Initial Margin Amount (excluding the Required Initial Margin Amount in relation to the Trust Accounts; the same applies hereinafter in this Item) for the Clearing Participant	sum of the Required Initial Margin Amount (excluding the Required Initial Margin Amount in relation to the Trust Accounts; the same applies hereinafter in this Item) for each Netting Account of the Clearing Participant
	Required Initial Margin Amount for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision	sum of the Required Initial Margin Amount for each Netting Account of such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision
	Required Initial Margin Amount for such Clearing Participant which is the Parent Company, Etc.	sum of the Required Initial Margin Amount for each Netting Account of such Clearing Participant which is the Parent Company, Etc.
Article 3, Paragraph 3	Required Initial Margin Amount	Required Initial Margin Amount for each Netting Account

2. In the case where a Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision) has multiple Netting Accounts, when applying the provision listed in the left column of the following table to the Clearing

Participant Guaranteed by Parent Company Etc. under Special Provision, the term in the provision as stipulated in the middle column of said table shall be replaced with the term as stipulated in the right column of said table:

Article 3, Paragraph 1, Item (2)	Required Initial Margin Amount for the Parent Company, Etc. (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision: the same applies hereinafter)	sum of the Required Initial Margin Amount for each Netting Account for the Parent Company, Etc.(limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision: the same applies hereinafter).
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3. In the case where a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision has multiple Netting Accounts, when applying the provision listed in the left column of the following table to a Clearing Participant which is a Parent Company, Etc. of a Clearing Participant Guaranteed by Parent Company Etc. under Special Provision (limited to those extending the Guarantee by Parent Company, Etc. for such Clearing Participant Guaranteed by Parent Company Etc. under Special Provision), the term in the provision as stipulated in the middle column of said table shall be replaced with the term as stipulated in the right column of said table:

Article 3, Paragraph 1, Item (2)	Required Initial Margin Amount for the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision	sum of Required Initial Margin Amount for each Netting Account for the Clearing Participant Guaranteed by Parent Company Etc. under Special Provision
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4. When a Clearing Participant has created an Initial Margin Group, one (1) Initial Margin Group shall be deemed to be one (1) Netting Account in applying the provisions of the preceding two (2) Articles.

### Supplementary Provisions

These Rules shall come into effect on October 1, 2013; provided, however, that the provisions of Article 4, Paragraph 4 shall come into effect as from the date separately prescribed by JSCC.

Note. The date separately prescribed by JSCC is January 14, 2014.

#### Supplementary Provisions

These revised Rules shall come into effect on January 14, 2014.

#### Supplementary Provisions

- 3 These revised Rules shall come into effect on October 14, 2014; except for the provisions referring to an addition of the market impact charge in Paragraph 1 of Appendix "Table Concerning Calculation of Required Initial Margin Base Amount," which shall apply to the calculation for January 19, 2015 and thereafter.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply the revised provisions, then these revised Rules shall come into effect on the date on or after October 14, 2014 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 5 These revised Rules shall come into effect on October 13, 2015.
- 6 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Rules to apply due to unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than October 13, 2015.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on May 1, 2018.
- 2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for these revised Rules to apply due to unavoidable reasons, the

revised Rules shall come into effect on the day set by JSCC which is not earlier than May 1, 2018. In such case, matters necessary upon enforcement of these Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

These revised Rules shall come into effect on April 1, 2019. However, revised Rules stipulated in Paragraph 1, Item 2, (Note) 1 of *Appendix "Table Concerning Calculation of Required Initial Margin Amount"* shall come into effect on April 22, 2019.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on December 18, 2023.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after December 18, 2023 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

- 1 These revised Rules shall come into effect on June 8, 2026
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

*Appendix*

*Table Concerning Calculation of Required Initial Margin Amount*

1. The Required Initial Margin Amount for each Clearing Participant shall be the amount calculated by the following calculation formula:

Required Initial Margin Amount

= Required Initial Margin Amount in relation to FOS Settlement + the amount equal to restructuring cost in relation to Japanese government bonds + the amount equal to the Repo Rate Fluctuation Risk + required amount of market impact charge

- (1) The Required Initial Margin Amount in relation to FOS Settlement shall be the amount prescribed as below A) to C), in accordance with the classification specified therein.

A) The amount in relation to the First Required Margin Amount : The total amount specified in below (a) and (b):

(a) The amount equal to the delivery adjustment amount related to the Subsequent Collateral Allocation Repo Transaction, Etc. which such Clearing Participant pays to JSCC, upon the Collateral Allocation executed at 7:00 a.m. on the Calculation Day.

(b) When the Variation Margin is calculated for the obligations which owed by such Clearing Participant in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. at the time of assumption of obligations at 7:00 a.m. on the Calculation Day, the amount equal to the amount deposited with JSCC by such Clearing Participant as the Variation Margin pursuant to the provisions in Article 65, Paragraph 1 of the Business Rules.

B) The amount in relation to the Second Required Margin Amount: The total amount specified in below (a) and (b):

(a) The amount equal to the delivery adjustment amount related to the Subsequent Collateral Allocation Repo Transaction, Etc. which such Clearing Participant pays

- to JSCC, upon Collateral Allocation executed at 11:00 a.m. on the Calculation Day.
- (b) When the Variation Margin is calculated for the obligations which owed by such Clearing Participant in relation to the Subsequent Collateral Allocation Repo Transaction, Etc., at the time of assumption of obligations at 11:00 a.m. on the Calculation Day, the amount equal to the amount deposited with JSCC by such Clearing Participant as the Variation Margin pursuant to the provisions in Article 65, Paragraph 1 of the Business Rules.
- C) The amount in relation to the Third Required Margin Amount: The total amount specified in below (a) and (b):
- (a) The average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) of the daily sum amount specified in (i) and (ii) below during a period of one hundred and twenty (120) days ending on the Calculation Day (excluding holidays; the same applies for day count calculation, hereinafter except for the cases in Item (3) Note hereof).
- (i) The amount paid/received by such Clearing Participant to/from JSCC, as the Variation Margin in relation to the Individual Issue Transaction.
- (ii) The delivery adjustment amount related to the Individual Issue Transaction.
- (b) When the Variation Margin is calculated for the obligations which owed by such Clearing Participant in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. at the time of assumption of obligations at 14:00 p.m. on the Calculation Day, the amount equal to the amount paid/received to/from JSCC from/to such Clearing Participant from/to such Clearing Participant as the Variation Margin pursuant to the provisions in Article 65, Paragraph 1 of the Business Rules.
- (2) The amount equal to Japanese government bonds restructuring cost shall be the amount specified in (a) to (c) in accordance with the classification specified therein.
- A) First Required Margin Amount: The largest of the POMA in relation to Japanese government bonds restructuring cost, the adjusted POMA in relation to Japanese government bonds restructuring cost or the lower limit of Japanese government

bonds restructuring cost:

- (a) The POMA in relation to Japanese government bonds restructuring cost in this A) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.
- (b) The adjusted POMA in relation to Japanese government bonds restructuring cost in this A) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.
- (c) The lower limit of Japanese government bonds restructuring cost. in this A) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity of total quantity to be delivered and total

quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).

B) The amount in relation to the Second Required Margin Amount: The larger of the adjusted POMA in relation to Japanese government bonds restructuring cost or the lower limit of Japanese government bonds restructuring cost.

(a) The adjusted POMA in relation to Japanese government bonds restructuring cost in this B) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the immediately following day of the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of the setoff category based on the classification of each issue according to the remaining years to maturity.

(b) The lower limit of Japanese government bonds restructuring cost in this B) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on

or after the day immediately following the Calculation Day and in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by the Market Price Fluctuation Risk Factor for each issue multiplied by ten hundredths (0.1).

C) The amount in relation to the Third Required Margin: The largest amount of the adjusted POMA in relation to Japanese government bonds restructuring cost, the average POMA in relation to Japanese government bonds restructuring cost or the lower limit of Japanese government bonds restructuring cost.

(a) The adjusted POMA in relation to Japanese government bonds restructuring cost in this C), shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the immediately following day of the Calculation Day and the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.

(b) The average POMA in relation to Japanese government bonds restructuring cost in this C) shall be the average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) POMA for calculating the average POMA in relation to Japanese government bonds restructuring cost for such Clearing Participant for such Clearing Participant on each day during a period of one hundred and twenty (120) days ending on the immediately preceding day of the Calculation Day (if such day falls on a holiday, preceding day which is not a holiday)

(c) The lower limit of Japanese government bonds restructuring cost in this C) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by Market Price Fluctuation Risk Factor for each issue multiplied by ten hundredths (0.1).

(Note)

1" Market Price Fluctuation Risk Factor" in this Item shall be the value as determined by JSCC, as the largest of value determined by JSCC as the level to cover 99% of 3-day fluctuation rate of the daily market price by each issue during the period of past 250-day period, the level to cover 99% of 3-day fluctuation rate of the daily market price by each issue during the period of past 500-day period or the level to cover 99% of 3-day fluctuation rate of the daily market price by each issue during the period of past 1,250-day period, each period including a day determined by JSCC as a stressed day for the purpose of calculating restructuring cost of Japanese government bonds (In case of Inflation-Indexed Japanese government bonds, the value as determined by JSCC, as the level to cover 3-day fluctuation of the Indexation Coefficient on the date on which Market Price Fluctuation Risk Factor is applied for the purpose of calculating restructuring cost of Japanese government bonds (the same applies in Paragraph 3).

2."POMA for calculating Average POMA in relation to Japanese government bonds restructuring cost" in this Item C)(b) shall be the total amount for all issues, of the amount for each issue obtained by multiplying each of the net quantity for such Clearing Participant, of the quantity in relation to the Security Settlement Obligation Related to Individual Issue Transaction of which obligations have been assumed

by a certain day and of which Settlement Day, Etc. arrives on or after the day immediately following such day and the quantity in relation to the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on such day and of which Settlement Day, Etc. arrives on or after the day immediately following such day, by the Market Price Fluctuation Risk Factor for such issue, offset by the setoff ratio prescribed by JSCC for each combination of setoff category based on the classification of each issue according to the remaining years to maturity.

(3) The Amount Equal to the Repo Rate Fluctuation Risk shall be the amount specified in below A) to C) in accordance with the classification specified therein.

A) The amount in relation to the First Required Margin Amount: The larger of the POMA in relation to the Repo Rate Fluctuation Risk or the lower limit of the Repo Rate Fluctuation Risk.

(a) The POMA in relation to the Repo Rate Fluctuation Risk in this A) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount, by each issue and by each Settlement Day, Etc., for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc.

(b) The Repo Rate Fluctuation Risk lower limit in this A) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the

immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc., multiplied by ten hundredths (0.1).

B) The amount in relation to the Second Required Margin Amount: The larger of the POMA in relation to the Repo Rate Fluctuation Risk or the Repo Rate Fluctuation Risk lower limit

(a) The POMA in relation to the Repo Rate Fluctuation Risk in this B) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc for such Clearing Participant.

(b) Repo Rate Fluctuation Risk Lower Limit in this B) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which

obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day by each Basket, each issue and each Settlement Day, Etc. multiplied by ten hundredths (0.1).

- C) The amount in relation to the Third Required Margin Amount: The largest of the adjusted POMA in relation to Repo Rate Fluctuation Risk, the average POMA in relation to Repo Rate Fluctuation Risk or the lower limit of Repo Rate Fluctuation Risk. .
- (a) The adjusted POMA in relation to the Repo Rate Fluctuation Risk in this C) shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing Participant in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by each Basket, each issue and each Settlement Day, Etc.
- (b) The average POMA in relation to the Repo Rate Fluctuation Risk in this C) shall be the average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) daily POMA for calculating average POMA in relation to the Repo Rate Fluctuation Risk of the relevant Clearing Participant during a period of one hundred and twenty (120) days ending on the immediately preceding day of the Calculation Day. (if such day falls on a holiday, the day shall be the immediately preceding business day).
- (c) The lower limit of Repo Rate Fluctuation Risk lower limit in this C), shall be the sum of the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount by each issue and by each Settlement Day, Etc., for such Clearing

Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day by each Basket, each issue and each Settlement Day, Etc. multiplied by ten hundredths (0.1).

(Note) 1. "Repo Rate Fluctuation Risk Gross Amount" in this Item shall be the market value of the net quantity of total quantity to be delivered and total quantity to be received in relation to the Transaction subject to Clearing (In case of the Subsequent Collateral Allocation Repo Transaction, Etc., the Starting Delivery Amount) multiplied by the Repo Rate Fluctuation Risk Factor and by the value obtained by the number of days from the following day of regular transfer day (if such day falls on a holiday, the day shall be the immediately following business day; the same applies, hereinafter). to Settlement Day, Etc. divided by 365 (In cases where Settlement Day, Etc. arrives before regular transfer day, the value obtained the number of days from the Settlement Day, Etc. to the immediately preceding day of regular transfer day divided by 365, in cases where the Settlement Day, Etc. is regular transfer day, such value shall be zero).

2. "Market Value" in above Note (1) shall be the amount appraised based on the average price stated in the reference statistical prices published by the Japan Securities Dealers Association as of the date of the immediately following day of the Calculation Day (if such day falls on a holiday, following day which is not a holiday) (if the reference statistical price for such issue is not published on the immediately following Calculation Day, the price determined by JSCC at each time) (any fractional amount less than one (1) yen shall be rounded down)) adding the accrued interest amount for number of days to the regular transfer day (any fractional amount less than one (1) yen shall be rounded down).

3. "Repo Rate Fluctuation Risk Factor" in Note (1) shall be the value prescribed by JSCC to calculate the repo rate fluctuation risk (the same applies for Note (4)).
4. "The Total Net Amount Related to the Repo Rate Fluctuation Risk Gross Amount" in this Item shall be the total amount for all issues, of the difference of the amount calculated in below A) and B) for each issue, with respect to the Repo Rate Fluctuation Risk Gross Amount.
- A) The total sum of the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity to be delivered in relation to the Transactions subject to Clearing of which Settlement Day, Etc. falls on or after the regular transfer day and the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity to be received, in relation to Transactions subject to Clearing for which Calculation Day is the Settlement Day, Etc.
- B) The total sum of the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity received in relation to Transactions subject to Clearing for which Settlement Day, Etc. arrives on or after the regular transfer day of the Calculation Day and the Repo Rate Fluctuation Risk Gross Amount in relation to the quantity received, in relation to Transactions subject to Clearing for which Calculation Day is the Settlement Day, Etc.
5. "The POMA for calculating the Average POMA Repo Rate in relation to Fluctuation Risk" in in this Item C)(b) shall be the total amount for all issues, for such Clearing Participant, of the net amount in relation to the Repo Rate Fluctuation Risk Gross Amount, for each issue and each Settlement Day, Etc. in relation to the Individual Issue Transaction of which obligations have been assumed by a certain day and of which Settlement Day, Etc. arrives on or after immediately following day of such day and the net amount in relation to the Repo Rate Fluctuation Risk Gross Amount, for each Basket and each Settlement Day, Etc., in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on such day and of which Settlement Day, Etc. arrives on or after day immediately following such day for each issue.
- (4) The market impact charge required amount shall be the amount specified in A) to C) in accordance with the classification specified therein.

- A) The amount in relation to the First Required Margin Amount: The larger of the amount equal to the transaction execution costs or the amount equal to adjusted transaction execution costs.
- (a) The amount equal to transaction execution costs in this A), shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the Calculation Day valued by the basis point value and Basis Spread (in case of the Transaction subject to Clearing including floating interest bearing Japanese government bonds or Inflation-Indexed Japanese government bonds, the basis spread by each issue for such issue; the same applies, hereinafter) by each issue ; provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to transaction execution costs.
- (b) The amount equal to adjusted transaction execution costs in this A) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 7:00 a.m. on the Calculation Day and of which

Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day valued by the basis point value and the basis spread by each issue; provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to adjusted transaction execution costs.

B) The amount in relation to the Second Required Margin Amount: The amount equal to adjusted transaction execution costs.

(a) The amount equal to the adjusted transaction execution costs in this B), shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 11:00 a.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day valued by the basis point value and the basis spread by each issue, provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to adjusted transaction execution costs.

C) The amount in relation to the Third Required Margin Amount: The larger of the amount equal to adjustment transaction execution costs or the amount equal to average transaction execution costs.

(a) The amount equal to the adjusted transaction execution costs in this C) shall be the total amount for all issues, of the amount for each issue obtained by summing

each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by the immediately preceding day of the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, of which obligations have been assumed by 2:00 p.m. on the Calculation Day and of which Settlement Day, Etc. arrives on or after the day immediately following the Calculation Day valued by the basis point value and the basis spread by each issue, provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to adjusted transaction execution costs.

- .(b) The amount equal to average transaction execution costs in this C), shall be the average (any fractional amount less than one (1) yen shall be rounded down) of the top twenty (20) amount equal to average transaction execution costs for calculating the average amount equal to transaction execution costs of the relevant Clearing Participant during a period of one hundred and twenty (120) days ending on the immediately preceding day of the Calculation Day (if such day falls on a holiday, preceding day which is not a holiday).

(Note)1."Amount equal to transaction execution costs for calculating the average amount equal to transaction execution costs" in this Item C)(b) shall be the total amount for all issues, of the amount for each issue obtained by summing each of the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Individual Issue Transaction of which obligations have been assumed by a certain day and of which Settlement Day, Etc. arrives on or after the day immediately following such day and the net quantity of total quantity to be delivered and total quantity to be received for such Clearing Participant, in relation to the Subsequent Collateral Allocation Repo Transaction, Etc. of which obligations have been assumed by 2:00 p.m. on such day and of which Settlement Day, Etc. arrives on or after the day immediately following such day

- valued by the basis point value and the basis spread by each issue , provided, however, if the relevant amount exceeds the net quantity of the issue subject to calculation, the relevant net quantity shall be the amount equal to transaction execution costs for calculating the average amount equal to transaction execution costs.
2. The provisions in Item (2)C)(b) and (4)C) (b) in the preceding Paragraph shall not apply to the Repo Transactions Only Account as stipulated in Article 86, Paragraph 2, Item (2) of the Business Rules and the provisions in Item (1) C) (a), Item (2) C)(b), Item (3) C) (b) and item(4) C) (b) in the preceding Paragraph shall not apply to the Subsequent Collateral Allocation Repos Only Account as stipulated in Article 86, Paragraph 2, Item (3) of the Business Rules.
  3. The market fluctuation risk factor and the setoff ratio as stipulated in Paragraph 1, Item (2) and the Repo Rate Fluctuation Risk Factor stipulated in Paragraph 3 of the said Article as well as the Basis Spread by Each Issue stipulated in Paragraph 3 of the said Article (hereinafter referred to as the “Value designated by JSCC”) shall be revised in accordance with the manner stipulated in the each of the following Items and such revision shall be notified to Clearing Participants.
    - (1) The market fluctuation risk factor, the setoff category and the setoff ratio: The revision shall take place on every business day of which following day (if such day falls on a holiday, following day which is not a holiday). the revised Market fluctuation risk factor and Setoff ratio shall start to apply.
    - (2) Repo Rate Fluctuation Risk Factor: The revision shall take place on monthly basis and the revised Repo Rate Fluctuation Risk Factor shall be applied on the fifth (5) day on the relevant month related to the revision (if such day falls on a holiday, following day which is not a holiday).
    - (3) The basis spread by each issue shall be revised upon reporting by a Clearing Participant with the first day of each March, June, September and December as the base day and the revised basis spread by each issue shall be applied on the

fifteenth (15) day on the relevant month related to the revision (if such day falls on a holiday, following day which is not a holiday).

(4) Notwithstanding of the provisions in each of the preceding Items, JSCC may extraordinarily revise the Value Designated by JSCC when it deems necessary.

4. When applying in Appendix the provisions listed in the left column of the following table to a Clearing Participant which has several Netting Accounts, the terms as stipulated in the middle column of said table shall be replaced with the terms as stipulated in the right column of said table:

Paragraph 1	for each Clearing Participant	for each Netting Account of each Clearing Participant
Paragraph 1, Item (1)	such Clearing Participant	for each Netting Account for such Clearing Participant
Paragraph 1, Item (2)	such Clearing Participant	such Clearing Participant for each Netting Account (for each Netting Account
Paragraph 1, Item (3)	for such Clearing Participant	for each Netting Account of such Clearing Participant
Paragraph 1, Item (4)	for such Clearing Participant	for each Netting Account of such Clearing Participant

5. When the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules in respect of the Receiving Account related to the relevant Customer Position, the amount listed in each of the following Items in each day in a period of one hundred and twenty (120) days (excluding a holiday) ending on the preceding day of the day on which the relevant Transfer has completed (if such day falls on a holiday, following day which is not a holiday) shall be the amount listed in each of the following Items in respect of the Transferring Account related to the relevant Customer Position.

(1) The amount prescribed in Paragraph 1, Item (1) C (a) (i) and (ii)

(2) POMA for calculating Average POMA in relation to Japanese government bonds restructuring cost

(3) POMA for calculating Average POMA in relation to Repo Rate Fluctuation Risk

(4) Amount equal to transaction execution costs for calculating the average amount  
equal to transaction execution costs

## Rules on Required JGB OTC Transaction Clearing Fund Amount

## (Article 1 Purpose)

These Rules set forth matters related to the Required JGB OTC Transaction Clearing Fund Amount pursuant to the provisions of Article 70-6 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the "Business Rules").

## (Article 2 Required JGB OTC Transaction Clearing Fund Amount)

1. The Required JGB OTC Transaction Clearing Fund Amount for each Clearing Participant, shall be the amount calculated on every business day, for each Clearing Participant pursuant to *Appendix "Table Concerning Calculation of Required JGB OTC Transaction Clearing Fund Amount"* (hereinafter referred to as the "Required JGB OTC Transaction Clearing Fund Base Amount") or ten million (10,000,000) yen, whichever is larger. Provided, however, JSCC may revise Required JGB OTC Transaction Clearing Fund Amount on an ad-hoc basis, in case of a merger of a Clearing Participant or others when it approves as necessary.
2. Notwithstanding of the provisions of the preceding Paragraph, the Required JGB OTC Transaction Clearing Fund Amount for a Sponsored Netting Account when a Clearing Participant is a Sponsored Participant and the Required JGB OTC Transaction Clearing Fund for a Sponsoring Netting Account, when a Clearing Participant is a Sponsoring Netting Account shall be the amount listed in each of the following Items.
  - (1) The Required Clearing Fund Amount for a Sponsored Netting Account shall be zero (0) yen.
  - (2) The Required Clearing Fund Amount for a Sponsoring Netting Account shall be the amount obtained by adding the Required JGB OTC Transaction Clearing Fund Amount for a Sponsored Netting Account calculated pursuant to the provisions of the preceding Paragraph, deeming the Clearing Fund Sponsored Scheme has not been used (when multiple Sponsoring Participants are appointed for the relevant Sponsored Netting Account, the amount obtained by multiplying the amount so calculated by the Sponsored Clearing Fund Proration Ratio) to the Required Clearing Fund Amount for a Sponsoring Netting Account, calculated pursuant to the provisions of the preceding Paragraph, deeming the said scheme has not been used.

~~3.3.~~ Notwithstanding the provisions of Paragraph 1, the Required JGB OTC Transaction Clearing Fund Amount for an entity which has newly obtained the Clearing Qualification shall be the amount specified by JSCC at each time taking into account the amount obtained by multiplying the sum total of the Risk Amount Exceeding Collateral of the top two (2) Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral set forth in Paragraph 2 of *Appendix "Table Concerning Calculation of Required JGB OTC Transaction Clearing Fund Amount"* by the ratio of the Required Initial Margin Amount prescribed by JSCC pursuant to the provisions of Article 2, Paragraph 3 of the Rules on Required Initial Margin Amount for JGB OTC Transaction to the aggregate amount of the Required Initial Margin Amounts for all Clearing Participants, and such Required JGB OTC Transaction Clearing Fund Amount shall be applied for the period JSCC deems necessary.

~~3.4.~~ Notwithstanding the provisions of Paragraph 1, in the event that the Transfer of the Customer Position is conducted as stipulated in Article 39-3, Paragraph 1 or Article 81, Paragraph 1 of the Rules, the Required Clearing Fund Amount for the Receiving Account of the relevant Customer Position on the day on which the relevant Transfer has completed, shall be the latest Required Clearing Fund Amount calculated for the Transferring Account.

(Article 3 Special Rule for Clearing Participant Which Has Multiple Netting Accounts)

1. When applying the provisions of the preceding Article to a Clearing Participant which has multiple Netting Accounts, the terms "for each Clearing Participant" in the said Article shall be replaced with "for each Netting Account of each Clearing Participant."
2. When a Clearing Participant has created an Initial Margin Group, one (1) Initial Margin Group shall be deemed to be one (1) Netting Account in the application of these Rules.

#### Supplementary Provisions

- 1 These Rules shall come into effect on October 14, 2014.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that

it is not appropriate to apply these Rules, then these Rules shall come into effect on the date on or after October 14, 2014 designated by JSCC. In such case, matters necessary upon enforcement of these Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

- 4 These revised Rules shall come into effect on May 1, 2018.
- 5 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then these Rules shall come into effect on the date on or after May 1, 2018 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

These revised Rules shall come into effect on April 1, 2019.

Supplementary Provisions

- 1 These revised Rules shall come into effect on December 18, 2023.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then these Rules shall come into effect on the date on or after December 18, 2023 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

Supplementary Provisions

- 1 These revised Rules shall come into effect on June 23, 2025.
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 23, 2025 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by

JSCC at each time.

Supplementary Provisions

- 1 These revised Rules shall come into effect on June 8, 2026
- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

*Appendix**Table Concerning Calculation of Required JGB OTC Transaction Clearing Fund Amount*

1. The Required JGB OTC Transaction Clearing Fund Base Amount for each Clearing Participant shall be the “Expected Stressed Loss Share” as of the Calculation Date (referring to the day on which the Required JGB OTC Transaction Clearing Fund Base Amount is calculated; the same applies, hereinafter)
  
2. “Expected Stressed Loss Share” as stipulated in the preceding Paragraph shall be the amount obtained by prorating the larger amount of (i) the sum total of the Risk Amounts Exceeding Collateral of the top two (2) Clearing Participants (when other Clearing Participant which is an affiliate, etc. (referring to a subsidiary or an affiliate and a parent company of a company and a subsidiary or an affiliate of such parent company; the same applies, hereinafter) exists, including the Risk Amounts Exceeding Collateral of the relevant other Clearing Participants) or (ii) average amount of the sum total of the Risk Amounts Exceeding Collateral of the top two (2) Clearing Participants on the each day during a period of one hundred and twenty (120) days (excluding holidays) ending on the Calculation Day, according to the First Required Margin Amount (referring to the amount as stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction; the same applies, hereinafter) of each Clearing Participant under Paragraph 1 calculated on Calculation Date. For the purpose of this Paragraph, “Risk Amount Exceeding Collateral” means the amount (provided that if such amount is a negative figure, the amount shall be treated as zero (0)) obtained by subtracting smaller of First Required Margin Amount calculated for the relevant Clearing Participant on such date or Initial Margin deposited with JSCC at 7:00 a.m. on the relevant Calculation Date by the relevant Clearing participant from the amount equivalent to stressed risk related to unsettled contracts of the relevant Clearing Participant (referring to the largest amount equal to loss which may be incurred by the relevant Clearing Participant from such unsettled contracts due to extreme fluctuation in yield curve related to the issue subject to clearing adding the amount equal to loss which may be incurred by the relevant Clearing Participant in relation to Fails Charges and expense for procuring funds stipulated in Article 74 of the Business Rules calculated in the method prescribed by JSCC in a notification) as of 7:00 a.m. on the Calculation Date or each day during a period of one hundred and twenty (120) days (excluding holidays) ending on the Calculation Date.

3. When applying the provisions of Paragraph 1 to a Clearing Participant holding multiple Netting Accounts, the term “for each Clearing Participant” in the said Paragraph shall be deemed to be replaced with “for each Netting Account of each Clearing Participant,” and when applying the provisions of the preceding Paragraph to such Clearing Participant, the term “First Required Margin Amount (referring to the amount as stipulated in Article 2, Paragraph 2 of the Rules on Required Initial Margin Amount related to JGB OTC Transaction; the same applies, hereinafter) of each Clearing Participant” in the said Paragraph shall be deemed to be replaced with “First Required Initial Margin Amount for each Netting Account of each Clearing Participant.”

4. Notwithstanding the provisions in Paragraph 2, in calculating the Risk Amount Exceeding Collateral for a Clearing Participant holding Trust Accounts, such amount shall be calculated separately for Trust Accounts and for Netting Accounts other than Trust Accounts. In such case, the Risk Amount Exceeding Collateral in relation to Netting Accounts related to Trust Accounts of the relevant Clearing Participant shall add neither Risk Amount Exceeding Collateral in relation to Netting Accounts other than Trust Accounts held by the Clearing Participant nor the Risk Amount Exceeding Collateral in relation to other Clearing Participant when other Clearing Participant exists with respect to the relevant Clearing Participant which is an affiliate etc. of the relevant Clearing Participant and the Risk Amount Exceeding Collateral in relation to Netting Accounts other than Trust Accounts of the relevant Clearing Participant shall add neither the Risk Amount Exceeding Collateral in relation to Trust Accounts held by the Clearing Participant nor the Risk Amount Exceeding Collateral in relation to Trust Accounts held by such other Clearing Participant when other Clearing Participant exists with respect to the relevant Clearing Participant which is an affiliate etc. of the relevant Clearing Participant.

5. Notwithstanding the provisions in Paragraph 2, when the other Clearing Participant exists in relation to the relevant Clearing Participant which is an affiliate etc. of the Risk Amount Exceeding Collateral of Clearing Participant not holding Trust Accounts shall not add the Risk Amount Exceeding Collateral in relation to Trust Accounts held by such other Clearing Participant.

Rules on Default Settlement Regarding Clearing Participants in Relation to JGB OTC  
Transaction Clearing Business

Chapter 1 General Provisions

(Article 1 Purpose)

The purpose of these Rules on Default Settlement Regarding Clearing Participants in relation to JGB OTC Transaction Clearing Business (hereinafter referred to as “these Rules”) is to set forth the matters necessary for the holding of the Auction for Default Settlement and the procedures for settlement of losses resulting from the Default, Etc. of a Clearing Participant in accordance with the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as “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 as prescribed in the Business Rules unless otherwise specified in these Rules, and the terms listed in each Item below shall have the meanings defined in each such Item:

- (1) “Basket Auction Date” means the date designated by JSCC at each occasion based on the advice of JGB OTC Transaction Default Management Committee as a date on which the Basket Auction for Default Settlement is to be held.
- (2) “First Step Auction Date” means the date designated by JSCC at each occasion based on the advice of JGB OTC Transaction Default Management Committee as a date on which the First Step Auction for Default Settlement is to be held.
- (3) “Second Step Auction Date” means the date designated by JSCC at each occasion based on the advice of JGB OTC Transaction Default Management Committee as a date on which the Second Step Auction for Default Settlement is to be held.
- (4) “Successful Bidder Participant” means the Clearing Participant who has won a bid on the Subject Transaction for Auction at the Auction for Default Settlement.
- (5) “First Step Loss Compensation Financial Resources” means the First Tier JGB OTC Transaction Settlement Guaranty Reserve.
- (6) “Second Step Loss Compensation Financial Resources” means the Second Tier JGB OTC Transaction Settlement Guaranty Reserve, JGB OTC Transaction Clearing Fund deposited with JSCC by Non-Defaulting Clearing Participants (capped at the Second Tier Clearing Participant Bearing Limit), the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge.
- (7) “Second Tier Clearing Participant Bearing Limit” means the Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration

and the Second Tier Bearing Limit of Clearing Participant subject to Clearing Fund Requirement Proration.

(Article 3 Setting Aside First Tier JGB OTC Transaction Settlement Guarantee Reserve, etc.)

1 JSCC will set aside 2 billion Japanese yen as the First Tier JGB OTC Transaction Settlement Guarantee Reserve.

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In the case where all or part of the First Tier JGB OTC Transaction Settlement Guarantee Reserve is used in accordance with the Business Rules, Etc., JSCC will set aside the same amount as the portion so used as First Tier JGB OTC Transaction Settlement Guarantee Reserve at each occasion. The sum total of the reserve under the provisions of this Paragraph shall not be more than 2 billion Japanese yen.

(Article 4 Setting Aside Second Tier JGB OTC Transaction Settlement Guarantee Reserve, etc.)

1 JSCC will set aside 2 billion Japanese yen as the Second Tier JGB OTC Transaction Settlement Guarantee Reserve.

2 In the case where all or part of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve is used in accordance with the Business Rules, Etc., JSCC will set aside the same amount as the portion so used as Second Tier JGB OTC Transaction Settlement Guarantee Reserve at each occasion. The sum total of the reserve under the provisions of this Paragraph shall not be more than 2 billion Japanese Yen.

(Article 5 Principle of Individual Settlement of Default, Etc.)

Unless otherwise set forth in the Business Rules, Etc., when Default, Etc. is determined in respect of multiple Clearing Participants, the holding of the Auction for Default Settlement, the mutual discussion held in accordance with Article 80-4 of the Business Rules and the agreement reached in accordance with Article 80-4, Paragraph 2 or Close-out Netting of Unsettled Positions upon failure of such agreement, the calculation and payment of the Special Clearing Charge payable by each Clearing Participant to JSCC, the calculation and posting of the Special Clearing Charge Collateral by each Clearing Participant with JSCC, the calculation and recovery of the Loss Resulting from Default Settlement (including the application of the First Tier JGB OTC Transaction Settlement Guarantee Reserve, the Second Tier JGB OTC Transaction Settlement Guarantee Reserve, and the JGB OTC Transaction Clearing Fund for the purpose of the recovery), the adjustments required upon determination of the amount of claims of JSCC against the Defaulting Clearing Participant and other matters related to the determination of the Default, Etc. as well as the application of the relevant provisions of the Business Rules, Etc. to these matters shall be performed and handled separately in respect of each Defaulting Clearing Participant.

## Chapter 2 Auction for Default Settlement

### Section 1 Basket Auction for Default Settlement

(Article 5-2 Basic Matters regarding Basket Auction for Default Settlement)

1 JSCC will hold the Basket Auction for Default Settlement based on the advice of the JGB OTC Transaction Default Management Committee and in accordance with the following procedures.

- (1) JSCC shall designate the Subject Transactions for Auction based on the advice of the JGB OTC Transaction Default Management Committee for each Basket.
- (2) In the Basket Auction for Default Settlement, the party to participate in the Basket Auction is to offer, within the time period set forth in Article 5-5, Paragraph 1, a Bid Repo Rate (referring to the rates which is the basis for calculating the Ending Delivery Amount paid/received between JSCC and the Successful Bidder Participants, the same applies hereinafter) and a bid Starting Buying/Selling Price (referring to the desired bid amount of Starting Delivery Amount of the Subject Transactions for Auction; the same applies hereinafter).

(Article 5-3 Position to be excluded from Position subject to Basket Auction for Default Settlement)

The obligations prescribed by JSCC as stipulated in Article 80-3, Paragraph 2, Item (1) of the Business Rules shall be those specified in each of the following items.

- (1) Starting/Rewind JGB Delivery Obligation (Basket): The obligations for which Default Determination Day is the Settlement Day, Etc.
- (2) Ending/Unwind JGB Delivery Obligation (Basket): The obligations for which immediately following day of Default Determination Day is the Settlement Day, Etc.

(Article 5-4 Notice concerning Basket Auction for Default Settlement)

In advance of the Basket Auction for Default Settlement, JSCC will notify the parties to participate in the Basket Auction for Default Settlement of the details of the Subject Transactions for Auction in respect of the Basket Auction for Default Settlement.

(Article 5-5 Holding of Basket Auction for Default Settlement)

1 JSCC will hold the Basket Auction for Default Settlement from the time specified by JSCC based on the advice of the JGB OTC Transaction Default Management Committee to 6:00 p.m. on the First Step Auction Date; provided, however, that JSCC may change the time for the Auction for Default Settlement based on the advice of the JGB OTC Transaction Default Management Committee.

2 In addition to those set forth in the preceding Paragraph, the other matters necessary

for the holding of the Basket Auction for Default Settlement shall be determined by JSCC at each occasion based on the advice of the JGB OTC Transaction Default Management Committee.

- 3 At the Basket Auction for Default Settlement, for each Subject Transaction for Auction, bid Starting Buying/Selling Prices for each Subject Transaction for Auction offered by the Participants in the Auction shall be added up to the Starting Delivery Amount of each Subject Transaction for Auction in the order from the highest Bid Repo Rate in the case of the Subsequent Collateral Allocation Repo Transaction for which Successful Bidder Participant is a Repo Selling Clearing Participant, and in the order from the lowest Bid Repo Rate in the case of the Subsequent Collateral Allocation Repo Transaction for which Successful Bidder Participant is a Repo Buying Clearing Participant.
- 4 In the case of preceding Paragraphs, if multiple same Bid Repo Rates exist, the Successful Bidder Participant shall be a Clearing Participant with the largest bid Starting Buying/Selling Price and if multiple same bid Starting Buying/Selling Prices exist, the Successful Bidder Participant shall be decided by lottery.

(Article 5-6 Execution of Subject Transactions for Auction at Basket Auction for Default Settlement)

- 1 JSCC will fix the successful Bid Repo Rates (referring to as the Bid Repo Rates related to the transaction to be bid; the same applies hereinafter) and the Successful Bidder Participants of the Basket Auction for Default Settlement immediately after the closing of such auction.
- 2 When JSCC has fixed the successful Bid Repo Rates and the Successful Bidder Participants of the Basket Auction for Default Settlement pursuant to the preceding Paragraph, the Subject Transactions for Auction put up for the Basket Auction for Default Settlement shall be executed between JSCC and the Successful Bidder Participants, at the time when the successful Bid Repo Rates and the Successful Bidder Participants are fixed.
- 3 When the successful Bid Repo Rate and the Successful Bidder Participants of the Basket Auction for Default Settlement are fixed pursuant to the provisions in Paragraph 1, JSCC will immediately notify the Clearing Participants which submitted a bid in the Basket Auction for Default Settlement of the bid result.
- 4 The successful Bid Repo Rates and the Successful Bidder Participants shall be fixed as set forth in Paragraph 1 only when the amount of the Loss Resulting from Default Settlement to be incurred by JSCC as a result of the execution of the Subject Transactions for Auction does not exceed the amount of the First Step Loss Compensation Financial Resources and if the amount of the Loss Resulting from Default Settlement to be incurred by JSCC as a result of the execution of the Subject

Transactions for Auction exceeds the First Step Loss Compensation Financial Resources, the Basket Auction for Default Settlement shall fail.

- 5 JSCC shall, when the Basket Auction for Default Settlement fails, hold the Basket Auction for Default Settlement on the immediately following the day on which the Basket Auction for Default Settlement fails, as specifying the Starting/Rewind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on or after the day three (3) days (excluding holidays) after the day on which Basket Auction for Default Settlement fails and the Ending/Unwind JGB Delivery Obligation (Basket) corresponding to such obligation, as the Positions subject to Default Settlement.
- 6 The provisions in Article 5-2 through Paragraph 4 of this Article shall apply *mutatis mutandis* to the holding of the Basket Auction for Default Settlement prescribed in the preceding Paragraph.

## Section 2 First Step Auction for Default Settlement

### (Article 6 Parties to Participate in First Step Auction for Default Settlement)

The Clearing Participants prescribed by JSCC as set forth in Article 80-3, Paragraph 2, Item (2) of the Business Rules, shall be the Clearing Participants listed on the Clearing Participant List set forth in Article 5 of the JGB OTC Transaction Default Management Committee Rules. In this case, a Clearing Participant which is removed from the Clearing Participant List pursuant to the provisions in Article 5, Paragraph 4 of the JGB OTC Transaction Default Management Committee Rules shall be deemed as the Clearing Participant listed on the Clearing Participant List, until the currently existing Clearing Participant List becomes void.

### (Article 7 Basic Matters regarding First Step Auction for Default Settlement)

- 1 JSCC will hold the First Step Auction for Default Settlement based on the advice of the JGB OTC Transaction Default Management Committee and in accordance with the following procedures.
- (1) In principle, JSCC will, based on an advice of the JGB OTC Transaction Default Management Committee, divide the issues comprising the Positions subject to Default Settlement into several groups to create risk (as calculated in accordance with a manner prescribed by JSCC, the same applies, hereinafter) mitigating positions, each of which will constitute Subject Transaction for Auction, and hold the auction for each Subject Transaction for Auction; provided that when JSCC deems it appropriate taking into consideration the size of such Positions subject to Default Settlement or other circumstances, JSCC may hold one auction covering all issues comprising the Positions subject to Default Settlement as a single Subject Transaction for Auction, based on an advice of the JGB OTC Transaction Default Management Committee.

- (2) In the First Step Auction for Default Settlement, the party to participate in the First Step Auction are to offer, within the time period set forth in Article 9, Paragraph 1, their bid price (referring to the settlement amount, either positive or negative (referring to the aggregate amount of funds to be paid/received between JSCC and such Successful Bidder Participant for the settlement of the Subject Transaction for Auction, the absolute value of which shall be payable by the Successful Bidder Participant to JSCC, if such amount is negative), to be paid/received between JSCC and Successful Bidder Participant upon execution of each Subject Transaction for Auction; the same applies hereinafter).

(Article 8 Notice concerning First Step Auction for Default Settlement)

- 1 In advance of the First Step Auction for Default Settlement, JSCC will notify the parties to participate in the First Step Auction for Default Settlement of the outline of the Subject Transactions for Auction in respect of the First Step Auction for Default Settlement.
- 2 The parties to participate in the First Step Auction for Default Settlement received the above notice may apply to JSCC for participation in such auction by specifying the Subject Transaction for Auction on which they bid.
- 3 JSCC will notify the details of such Subject Transaction for Auction to the parties to participate in the First Step Auction for Default Settlement which made application for participation set forth in the preceding Paragraph.
- 4 The parties to participate in the First Step Auction for Default Settlement which received the notification set forth in the preceding Paragraph must bid on the relevant Subject Transaction for Auction.

(Article 9 Holding of First Step Auction for Default Settlement)

- 1 JSCC will hold the First Step Auction for Default Settlement from 8:30 a.m. to 9:30 a.m. on the First Step Auction Date; provided that JSCC may change the time for the Auction for Default Settlement based on the advice of the JGB OTC Transaction Default Management Committee.
- 2 In addition to those set forth in the preceding Paragraph, the matters necessary for the holding of the First Step Auction for Default Settlement shall be determined by JSCC at each occasion based on the advice of the JGB OTC Transaction Default Management Committee.
- 3 For each Subject Transactions for Auction, the lowest bid price at the First Step Auction for Default Settlement shall be the successful bid amount, and the participant in the Auction for Default Settlement whose bid amount is equal to such successful bid amount shall be the Successful Bidder Participant.

- 4 Notwithstanding the provisions of the preceding Paragraph, when a single Subject Transaction for Default Auction is split into multiple units for the purpose of the auction, the Successful Bidder Participants shall be determined in the order from the Participant submitted the lowest bid amount in respect of a unit until the Successful Bidder Participants are determined for all units.
- 5 In the case of the preceding two (2) Paragraphs, if the total sum of the number of units subject to auction related to the auction by the highest successful bid price exceeds the number of units for which Successful Bidder Participant has not been fixed, the Successful Bidder Participants shall be determined by prorating the number of units for which Successful Bidder Participant has not been decided and for the quantity which is not able to be prorated, the Successful Bidder Participant shall be decided by lottery.

(Article 10 Execution of Subject Transactions for Auction at First Step Auction for Default Settlement)

- 1 JSCC will fix the successful bid amounts and the Successful Bidder Participants of the First Step Auction for Default Settlement immediately after the end of such auction.
- 2 When JSCC has fixed the successful bid amounts and the Successful Bidder Participants of the First Step Auction for Default Settlement pursuant to the preceding Paragraph, the Subject Transactions for Auction put up for such auction shall be executed between JSCC and the Successful Bidder Participants, at the time when the successful bid amounts and the Successful Bidder Participants are fixed.
- 3 When the successful bid amounts and the Successful Bidder Participants of the First Step Auction for Default Settlement are fixed pursuant to Paragraph 1, JSCC will immediately notify the Clearing Participants submitted bids in the relevant auction of the bid result.
- 4 The successful bid amounts and the Successful Bidder Participants shall be fixed as set forth in Paragraph 1 only when the amount of the Loss Resulting from Default Settlement to be incurred by JSCC as a result of the execution of the Subject Transactions for Auction does not exceed the amount of the loss compensation financial resources related to such Subject Transactions for Default Settlement (referring to the amount obtained by prorating the First Step Loss Compensation Financial Resources (excluding the amount used for the Basket Auction for Default Settlement) according to the risk amount of each Subject Transaction for Auction). Neither a successful bid amount nor a Successful Bidder Participant will be fixed for a portion of the Subject Transaction for Auction relating to the excess of the amount of the Loss Resulting from Default Settlement to be incurred by JSCC as a result of the execution of the Subject Transaction for Auction over the amount of the loss compensation financial resources related to such Subject Transaction for Auction.

Section 2 Second Step Auction for Default Settlement

(Article 11 Basic Matters regarding Second Step Auction for Default Settlement)

1 If the Basket Auction for Default Settlement fails pursuant to the provisions in Article 5-6, Paragraph 4 or JSCC does not fix the successful bid amounts and the Successful Bidder Participants in respect of all or a part of the Subject Transactions for Auction in the First Step Auction for Default Settlement pursuant to the provisions of the preceding Article, Paragraph 4, JSCC will hold the Second Step Auction for Default Settlement based on the advice of the JGB OTC Transaction Default Management Committee and in accordance with the following procedures.

- (1) JSCC will designate the Subject Transaction for Auction for each issue, specifying (i) the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. based on the Collateral Allocation to the Starting/Rewind JGB Delivery Obligation (Basket) for which Settlement Day, Etc. arrives on the immediately following day on which Basket Auction has failed and the corresponding Ending/Unwind JGB Delivery Obligation (Basket) and (ii) Security Settlement Obligation Related to Individual Transaction and the Security Settlement Obligation Related to Subsequent Collateral Allocation Repo Transaction, Etc. included in the Subject Transaction for Auction for which auction has failed at the First Step Auction, as the Subject Transaction for Auction.
- (2) In the Second Step Auction for Default Settlement, each party to participate in the Second Step Auction is to offer, within the time period set forth in Article 13, Paragraph 1, a bid price per 100 yen in face value and a bid face value.

(Article 12 Notice concerning Second Step Auction for Default Settlement)

In advance of the Second Step Auction for Default Settlement, JSCC will notify the parties to participate in the Second Step Auction for Default Settlement of the details of the relevant Subject Transactions for Auction.

(Article 13 Holding of Second Step Auction for Default Settlement)

- 1 JSCC shall hold the Second Step Auction for Default Settlement from 9:00 a.m. to 11:30 a.m. on the Second Step Auction Date; provided that JSCC may change the time for the Auction for Default Settlement based on the advice of the JGB OTC Transaction Default Management Committee.
- 2 In addition to those set forth in the preceding Paragraph, the matters necessary for the holding of the Second Step Auction for Default Settlement shall be determined by JSCC at each occasion based on the advice of the JGB OTC Transaction Default Management Committee.
- 3 At the Second Step Auction for Default Settlement, for each Subject Transaction for Auction, bid prices offered by the Participants in the Auction shall be added up to the face value of each Subject Transaction in the order from the lowest bid price per 100

yen in face value.

- 4 In the case of the preceding Paragraph, if the total amount of face value of the Subject Transactions for Auction related to the highest successful bid amount per 100 yen in face value (referring to the highest bid price per 100 yen in face value among the successful bid amounts for each Subject Transactions for Auction) exceeds the face value of the Subject Transaction for Auction for which Successful Bidder Participants has not been fixed, for the Subject Transaction for Auction of which Successful Bidder Participants has not been fixed, the Successful Bidder Participants shall be fixed by prorating the total amount of face value of the Subject Transactions for Auction related to the highest successful bid amount, if fractional amount less than the face value occurs, the Successful Bidder Participant shall be decided by lottery.

(Article 14 Execution of Subject Transactions for Auction at Second Step Auction for Default Settlement)

- 1 JSCC will fix the successful bid amounts and the Successful Bidder Participants of the Second Step Auction for Default Settlement immediately after the end of such auction.
- 2 When JSCC fixed the successful bid amounts and the Successful Bidder Participants of the Second Step Auction for Default Settlement pursuant to the preceding Paragraph, the Subject Transactions for Auction put up for the Second Step Auction for Default Settlement shall be executed between JSCC and the Successful Bidder Participants at the time of such determination.
- 3 When the successful bid amounts and the Successful Bidder Participants of the Second Step Auction for Default Settlement are fixed pursuant to Paragraph 1, JSCC will immediately notify the Clearing Participants submitted bids in the Second Step Auction for Default Settlement of the Bid Result.
- 4 Notwithstanding the provisions of the preceding three Paragraphs, in the case where the successful bid amounts and the Successful Bidder Participants of the Second Step Auction for Default Settlement are fixed, if the sum total of the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge to be contributed by any Non-Defaulting Clearing Participant exceeds the sum total of the Initial Margin and the Default Contingent Margin actually deposited with JSCC by such Clearing Participant, the successful bid amounts and the Successful Bidder Participants of the Second Step Auction for Default Settlement shall be determined as prescribed in each Item below or a Second Step Auction for Default Settlement shall be held again.
  - (1) JSCC shall notify each Non-Defaulting Clearing Participant of the provisional Bid Result immediately after the end of the Second Step Auction for Default Settlement.
  - (2) JSCC shall notify the amount of the Third Tier Special Clearing Charge and

the Fourth Tier Special Clearing Charge to be contributed by each Non-Defaulting Clearing Participant if the successful bid amounts and the Successful Bidder Participants for such Second Step Auction for Default Settlement are to be fixed, and the amount of the Third Tier Special Clearing Charge Collateral and the Fourth Tier Special Clearing Charge Collateral to be deposited with JSCC pursuant to the provisions of Article 30, Item (1) and Article 31, Item (1) by 2:00 p.m. on the Second Step Auction Date.

- (3) If all the Non-Defaulting Clearing Participants post with JSCC in full by 4:00 p.m. on the Second Step Auction Date the Third Tier Special Clearing Charge Collateral and the Fourth Tier Special Clearing Charge Collateral to be posted with JSCC, JSCC shall immediately fix the successful bid amounts and the Successful Bidder Participants for the Second Step Auction for Default Settlement. The provisions of Paragraphs 2 and 3 shall be applied *mutatis mutandis* to the case where JSCC has fixed the successful bid amounts and the Successful Bidder Participants for the Second Step Auction for Default Settlement pursuant to this Item.
- (4) In the cases other than those prescribed in the preceding Item, the Second Step Auction for Default Settlement fails and a Second Step Auction for Default Settlement shall be held again on the next day following the Second Step Auction Date in accordance with the provisions of Article 11 through this Article.

### Chapter 3 Mutual Discussion

(Article 15 Method of Mutual Discussion, etc.)

1 The mutual discussion set forth in Article 80-4, Paragraph 1 of the Business Rules shall be held for the cases set forth in each of the following Items or when JSCC considers as necessary in relation to handling of the Auction for Default Settlement or the procedures for the relevant loss.

- (1) When the Basket Auction for Default Settlement is held pursuant to the provisions in Article 5-6, Paragraph 5, the cases specified in the below A) or B):
  - A) The cases where the total amount of the bid Starting Buying/Selling Prices is less than the Starting Buying/Selling Price of the Subject Transactions for Auction; or
  - B) The cases where before fixing the successful bid amounts and the Successful Bidder Participants, JSCC will estimate the Loss Resulting from Default Settlement which JSCC may incur if the Subject Transactions for Auction in relation to the relevant auction are executed and such estimated amount exceeds

the First Step Loss Compensation Financial Resources.

(2) When the Second Step Auction for Default Settlement is held, the cases specified in the below A) or B):

A) The cases where the total amount of bid face value is less than the face value of the Subject Transactions for Auction; or

B) The cases where before fixing the successful bid amount and the Successful Bidder Participants, JSCC will estimate the Loss Resulting from Default Settlement which JSCC may incur if the Subject Transactions for Auction in relation to the relevant auction are executed and such estimated amount exceeds the Second Step Loss Compensation Financial Resources.

2 Each Non-Defaulting Clearing Participant shall authorise the Representative of Committee Member or Representative of Special Committee Member of JGB OTC Transaction Management Committee delegating such Non-Defaulting Clearing Participant or any person representing or acting as an agent for such Non-Defaulting Clearing Participant to have the discussion with JSCC pursuant to the preceding Paragraph and to enter into an agreement with JSCC in accordance with Article 80-4 of the Business Rules.

3 The date and time and the method of holding of the discussion and other necessary matters for the discussion required by Article 80-4 of the Business Rules shall be determined by JSCC at each occasion.

4 JSCC will notify all the Non-Defaulting Clearing Participants in advance of the matters determined by JSCC in connection with the holding of the discussion in accordance with the preceding Paragraph.

5 In case where the discussion is to commence in accordance with Article 80-4 of the Business Rules, JSCC will fix neither the successful bid amount nor the Successful Bidder Participant in respect of all Subject Transactions for Auction in the Second Step Auction for Default Settlement, notwithstanding the provisions of Article 14, Paragraph 1.

(Article 16 Discussion Period)

The period to be prescribed by JSCC in the Subordinate Rules as set forth in Article 80-5, Paragraph 1 of the Business Rules shall continue until the second day (excluding holidays) from the Second Step Auction Date; provided that such period may be extended if agreed to by JSCC and all the Non-Defaulting Clearing

Participants.

(Article 17 Close-out Netting related to Defaulting Clearing Participant and Special Rule related to Appraised Value of JGB Delivery/Return Obligation, etc. in Netting Calculation)

1 The appraised value related to Japanese government bonds Transfer/Return Obligation for the case set forth in Article 79, Paragraph 7 and Article 80, Paragraph 5 of the Business Rules, Securities Settlement Obligation and the obligation of JSCC to deliver Japanese government bonds in relation to Subject Transaction for Auction pursuant to the provisions of Article 80-7, Paragraph 2 of the Business Rules (referred to as "JGB Delivery/Return Obligation, etc." in this Article) shall be determined in the following manner:

- (1) The appraised value related to JGB Delivery/Return Obligation when the agreement set forth in Article 80-4 of the Business Rules is reached shall be the amount obtained through the method set forth in such agreement;
- (2) The appraised value of the portion of the JGB Delivery/Return Obligation relating to the Unsettled Securities Position when the Close-out Netting of Unsettled Position set forth in Article 80-5 of the Business Rules is effected shall be the amount obtained through the method set forth in Paragraph 1, Item (2) of the following Article, and the appraised value of the portion of the JGB Delivery /Return Obligation, etc. other than those related to the Unsettled Securities Position shall be determined set forth in Article 79, Paragraphs 2, 5 and 6 and Article 80, Paragraphs 3 and 4 of the Business Rules.

(Article 18 Close-out Netting of Unsettled Positions)

1 The appraised values of the Unsettled Monetary Positions and the Unsettled Securities Positions in the Close-out Netting of Unsettled Positions set forth in Article 80-5, Paragraph 1 of the Business Rules shall be obtained in the following manner:

- (1) The appraised values of the Unsettled Monetary Positions shall be the sum total of the present values of each obligation comprising the relevant Unsettled Monetary Positions as of the date of the Close-out Netting of Unsettled Positions (hereinafter referred to as "Close-out Netting Date") obtained by applying the discount rate prescribed by JSCC based on the Tokyo Repo Rate (reference institutions average) published by the Japan Securities Dealers Association (or, if JSCC deems it necessary, the discount rate prescribed by JSCC at each occasion);
- (2) The appraised values of the Unsettled Securities Positions (excluding the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation (Basket)) shall be, in respect of each obligation comprising Unsettled Securities Positions, the sum total of the amount

(fraction less than whole yen amount shall be discarded) appraised based on the price calculated by the average price (if the relevant issue is neither floating rate bearing Japanese government bonds nor Inflation-Indexed Japanese government bonds and the issue date of such issue arrives on or after three (3) days (excluding holidays) after the Calculation Day, based on the price calculated by the price calculated by the average yield on the basis of Settlement Day, ETC.) stated in the reference statistical prices for over-the-counter transactions published by the Japan Securities Dealers Association as of the date of the next day following the Close-out Netting Date added by all accrued interest (fraction less than whole yen amount shall be discarded) for the number of days up to the Close-out Netting Date (holidays are to be included when counting number of days); and

- (3) The appraised values of the Starting/Rewind JGB Delivery Obligation (Basket) and the Ending/Unwind JGB Delivery Obligation shall be the sum total amount of the present values of the relevant obligations as of the Close-Out Netting Date obtained by applying the discount rate prescribed by JSCC based on the Tokyo Repo Rate (reference institutions average) published by the Japan Securities Dealers Association (or, if JSCC deems it necessary, the discount rate prescribed by JSCC at each occasion).
- 2 In the case of Item (2) of the preceding Paragraph, the price under the preceding Paragraph related to issues for which Reference Statistical Price is not published by Japan Securities Dealers Association as of the next day following the Close-out Netting Date shall be determined by JSCC at each occasion.
- 3 The funds equivalent to the single obligation based on Article 80-5, Paragraph 1 of the Business Rules shall be paid/received between JSCC and the Clearing Participant on the next day following the Close-out Netting Date.
- 4 The Unsettled Monetary Positions and the Unsettled Securities Positions between JSCC and a Clearing Participant shall be deemed to have been performed and ceased to exist at the time when they become a single obligation pursuant to the provisions of Article 80-5, Paragraph 1 of the Business Rules. In this case, JSCC and a Clearing Participant may perform its obligations related to the Unsettled Securities Positions by the payment of the appraised values thereof (referring to the amount obtained in accordance with the provisions of Paragraph 1, Item (2)) and shall be deemed to have selected such performance method.
- 5 In addition to those set forth in the preceding four Paragraphs, matters relating to the Close-out Netting of Unsettled Positions pursuant to Article 80-5 of the Business Rules shall be determined by JSCC at each occasion.

#### Chapter 4 Sharing of Loss by Other Clearing Participants

(Article 19 Initial Loss-Determination Date)

The Initial Loss-Determination Date prescribed in Article 82, Paragraph 2 of the Business Rules shall be such day in such occasion as set forth in each of the following Items:

- (1) The First Step Auction Date, where the Subject Transactions for Auction put up for the First Step Auction for Default Settlement are executed between JSCC and the Successful Bidder Participants in accordance with Article 10, Paragraph 2 (other than the case set forth in Item (2));
- (2) The Second Step Auction Date, where the Subject Transactions for Auction put up for the Second Step Auction for Default Settlement are executed between JSCC and the Successful Bidder Participants in accordance with Article 14, Paragraph 2;
- (3) The date of an agreement reached, if any, pursuant to Article 80-4, Paragraph 2 of the Business Rules or the date set forth in the agreement; or
- (4) The next day following the day on which the Close-out Netting of Unsettled Positions is conducted pursuant to the provisions of Article 80-5 of the Business Rules.

(Article 20 Ratio used for calculation of Aggregate Loss subject to Original Transaction Proration)

The ratio set forth in Article 2, Item (26) of the Business Rules shall be the ratio of (a) the amount of the unsettled Transactions subject to Clearing of the Defaulting Clearing Participant gave rise to the Loss Resulting from Default Settlement the other side of which are Trust Accounts to (b) the total amount (excluding cleared values related to the Rewind Monetary Payment Obligation and the Unwind Monetary Payment Obligation) of all unsettled Transactions subject to Clearing of the Defaulting Clearing Participant gave rise to the Loss Resulting from Default Settlement.

(Article 21 Contribution Ratio of each Clearing Participant subject to Original Transaction Proration)

The contribution ratio applicable to each Clearing Participant subject to Original Transaction Proration set forth in Article 83-2, Paragraph 1, Item (3) of the Business Rules shall be the ratio of (a) the cleared values (excluding cleared values related to the Rewind Monetary Payment Obligation and the Unwind Monetary Payment Obligation) of the unsettled Transactions subject to Clearing of the Defaulting Clearing Participant gave rise to the Loss Resulting from Default Settlement the other side of which is the Trust Account of the relevant Clearing Participant subject to Original Transaction Proration to (b) the cleared values (excluding cleared values related to the Rewind Monetary Payment Obligation and the Unwind Monetary Payment Obligation) of all of the said Transactions Subject to Clearing of the said Defaulting Clearing Participant the other side of which are Trust Accounts.

(Article 22 Clearing Funds to be Used Later)

The amount to be prescribed by JSCC under Article 83-2, Paragraph 1, Item (5), b. and c., and Article 83-5, Paragraph 2, Items (1) and (2) of the Business Rules shall be, according the below-listed classification of the Auction for Default Settlement, the amount as set forth below:

- (1) First Step Auction for Default Settlement: The amount equal to the product of (a) Second Tier Clearing Participant Bearing Limit applicable to the Clearing Participant which made successful bid in the First Step Auction for Default Settlement and (b) the ratio of the risk amount of the Subject Transaction for Auction for which such Clearing Participant's bid was successful to the risk amount of all Subject Transactions for Auction in the First Step Auction for Default Settlement (referring to the ratio as defined in the outline of the Subject Transactions for Auction in respect of the First Step Auction for Default Settlement set forth in Article 8, Paragraph 1).
- (2) Second Step Auction for Default Settlement: The amount equal to the product of (a) Second Tier Clearing Participant Bearing Limit applicable to the Clearing Participant which made successful bid in the Second Step Auction for Default Settlement and (b) the ratio of the risk amount of the Subject Transaction for Auction for which such Clearing Participant's bid was successful to the risk amount of all Subject Transactions for Auction in the Second Step Auction for Default Settlement (referring to the ratio as defined in the details of the relevant Subject Transactions for Auction in respect of the Second Step Auction for Default Settlement set forth in Article 12).

(Article 22-2 Cutoff time for Additional Deposit of JGB OTC Transaction Clearing Fund on the Last Day of Default Settlement Period)

Additional deposit of JGB OTC Transaction Clearing Fund on the last day of Default Settlement Period as stipulated in Article 83-3, Paragraph 3 of the Business Rules shall be made by 4:30 pm on the immediately following day of the last day of Default Settlement Period.

(Article 23 Payment Method of Third Tier Special Clearing Charge and Fourth Tier Special Clearing Charge)

The Non-Defaulting Clearing Participants shall pay the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge to JSCC by the method of application of the Special Clearing Charge Collateral posted with JSCC to the payment thereof.

(Article 24 Amount of Third Tier Special Clearing Charge to be Contributed by Clearing Participant subject to Original Transaction Proration)

As to Clearing Participants subject to Original Transaction Proration, the amount of the Third Tier Special Clearing Charge to be prescribed by JSCC in the Subordinate

Rules under Article 83-4 of the Business Rules shall be the amount obtained as the Aggregate Loss subject to Original Transaction Proration minus the amount specified in Item(1) and Item (2) prorated according to the contribution ratio applicable to each Clearing Participant subject to Original Transaction Proration set forth in Article 21, minus the amount specified in Item (3).

- (1) The amount recovered by the application of the First Tier JGB OTC Transaction Settlement Guarantee Reserve under the provisions of Article 83 of the Business Rules.
- (2) The amount recovered by the application of the amount of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve Initial Application to be applied through the Original Transaction Proration pursuant to the provisions of Article 83-2 of the Business Rules.
- (3) The amount recovered by the application of the JGB OTC Transaction Clearing Fund deposited by the relevant Clearing Participant subject to Proration on Original Transactions pursuant to the provisions of Article 83-2 of the Business Rules.

(Article 25 Amount of Third Tier Special Clearing Charge, etc. to be Contributed by Clearing Participants subject to Clearing Fund Requirement Proration)

1 As to the Clearing Participants subject to Clearing Fund Requirement Proration, the amount of the Third Tier Special Clearing Charge to be prescribed by JSCC in the Subordinate Rules under Article 83-4 of the Business Rules shall be, according to the below listed cases, as set forth below:

- (1) In the case where the amount of the Aggregate Loss subject to Clearing Fund Requirement Proration remaining after deducting the JGB OTC Transaction Clearing Fund deposited with JSCC by the Clearing Participants subject to Clearing Fund Requirement Proration under Article 83-2, Items (4) and (5) and the amount recovered by the application of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve is less than the total amount of the Required JGB OTC Transaction Clearing Fund Amount in respect of each Clearing Participant subject to Clearing Fund Requirement Proration on the day (or, if such day falls on a holiday, the preceding day that is not a holiday; the same applies hereinafter) immediately preceding the start date of the Default Settlement Period in which the Default Determination Date in respect of the Defaulting Clearing Participant belongs (if each such Clearing Participant contributes the Third Tier Special Clearing Charge in respect of any other Default, etc. determined in the same Default Settlement Period by no later than the Auction for Default Settlement in respect of such Defaulting Clearing Participant, the said total amount of the Required JGB OTC Transaction Clearing Fund Amount remaining after deduction of the amount so contributed or if the Required JGB OTC Transaction Clearing Fund Amount

deposited with JSCC by such Clearing Participant is applied pursuant to the provisions of Article 90-5, the said total amount of the Required JGB OTC Transaction Clearing Fund Amount remaining after deduction of the amount so applied; hereinafter referred to as "Third Tier Special Clearing Charge Limit" in this Paragraph):

The amounts set forth in a. through c. below in the order from a. to c.:

a. The amount of the Third Tier Special Clearing Charge to be contributed by the Participants Bearing Third Tier Special Clearing Charge which had applied, but failed to participate in the First Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant or other First Step Auction for Default Settlement conducted during the Default Settlement Period in which the Default Determination Date related to the relevant Defaulting Clearing Participant belongs (only those conducted before the Auction for Default Settlement related to the relevant Defaulting Clearing Participant) (referred to as "Subject Clearing Participant" in this a.): The amount obtained by prorating the Aggregate Loss subject to Clearing Fund Requirement Proration according to the Third Tier Special Clearing Charge Limit applicable to the relevant Clearing Participant (or, if the amount of such Loss Resulting from Default Settlement is equal to or more than the aggregate amount of the Third Tier Special Clearing Charge Limit of the Subject Clearing Participant, the amount equal to the Third Tier Special Clearing Charge Limit applicable to the relevant Subject Clearing Participant).

b. The amount of the Third Tier Special Clearing Charge to be contributed by each Participant Bearing Third Tier Special Clearing Charge (other than those fall on a. above): The amount obtained by prorating the amount of the Aggregate Loss subject to Clearing Fund Requirement Proration remaining after deducting the aggregate amount set forth in a. above according to the amount of the Third Tier Special Clearing Charge Limit applicable to the relevant Participant Bearing Third Tier Clearing Charge, and subtracting therefrom the amount to be used later (or, if such remaining amount is equal to or more than the aggregate amount of the Third Tier Special Clearing Charge Limit of the relevant Participant Bearing Third Tier Special Clearing Charge, the amount equal to the Third Tier Special Clearing Charge Limit applicable to the relevant Participant Bearing Third Tier Special Clearing Charge).

c. The amount of the Third Tier Special Clearing Charge to be contributed by the Participant Bearing Third Tier Special Clearing Charge whose bid on the Subject Transactions for Auction in the Auction for Default Settlement related to the relevant Defaulting Clearing Participant was successful: The amount obtained by prorating the amount of the Aggregate Loss subject to Clearing Fund Requirement Proration remaining after deducting the sum total of the amounts set forth in a. and b. above according to the amount to be used later applicable to the relevant Participant Bearing Third Tier Special Clearing

Charge.

- (2) In any case other than Item (1): The Third Tier Special Clearing Charge Limit in relation to each Participant Bearing Third Tier Special Clearing Charge as of the Default Determination Date.

2 The amount of to be used later set forth in Item (1) b. and c. of the preceding Paragraph shall be the sum total of the amounts set forth in each Item of Article 22.

(Article 26 Allocation Method of Unapplied Amount of Second Tier Bearing Limit of Clearing Participant subject to Original Transaction Proration)

The manner to be prescribed by JSCC under Article 83-5, Paragraph 2, Item (1) of the Business Rules shall be the method in which the amount of loss to be recovered will be allocated to the Participant whose percentage of the unapplied portion of Second Tier Bearing Limit of the Clearing Participant subject to Original Transaction Proration (referring to the ratio of unused amount for the relevant Clearing Participant subject to Original Transaction Proration (after deduction of the amount set forth in Article 22, Item (2)) to the Second Tier Bearing Limit of the Clearing Participant subject to Original Transaction Proration applicable to such Clearing Participant (after deduction of the amount set forth in Article 22, Item (2) and if the Required JGB OTC Transaction Clearing Fund Amount deposited with JSCC by such Clearing Participant is applied pursuant to the provisions of Article 90-5, deducting the amount so applied) is the largest until such percentage becomes equal to the second largest percentage of the unapplied portion of the Second Tier Bearing Limit of the Clearing Participant subject to Original Transaction Proration, and when percentage of such unapplied portion of such two Clearing Participants becomes even, then the amount of loss to be recovered will be allocated to the said two Clearing Participants until the percentage of the unapplied portion becomes equal to the third largest percentage, and so forth. In this case, if the remaining amount of the JGB OTC Transaction Clearing Fund to be applied in respect of a Clearing Participant becomes zero, no further allocation of loss to such Participant will be made.

(Article 27 Amount of Third Tier Special Clearing Charge (Additional Portion) to be Contributed by Clearing Participants subject to Original Transaction Proration)

As to Clearing Participants subject to Original Transaction Proration, the amount of the Third Tier Special Clearing Charge (Additional Portion) to be prescribed by JSCC under Article 83-6 of the Business Rules shall be, in the order set forth below, the amount set forth below:

- (1) Amount of Third Tier Special Clearing Charge (Additional Portion) to be contributed by Clearing Participants subject to Original Transaction Proration: The amount of Loss Resulting from Default Settlement remaining after deducting the amount applied pursuant to the provisions of Articles 83, 83-2, 83-4, 83-5 and 90-5 of the Business Rules allocated according to the unapplied amount (the amount remaining after deduction of the amount set forth in Article 22, Item (2)) of the relevant Clearing

Participant (to be capped at the unapplied amount of the relevant Clearing Participant (the amount remaining after deduction of the amount set forth in Article 22, Item (2));

- (2) Amount of Third Tier Special Clearing Charge (Additional Portion) to be contributed by Clearing Participants subject to Original Transaction Proration which won the bid on the Subject Transactions for Auction in the Second Step Auction for Default Settlement related to the relevant Defaulting Clearing Participant: The amount of Loss Resulting from Default Settlement remaining after deduction of the amount applied pursuant to Articles 83, 83-2, 83-4, 83-5 and 90-5 of the Business Rules and the amount of the Third Tier Special Clearing Charge (Additional Portion) set forth in the preceding Item allocated according to the amount set forth in Article 22, Item (2) in respect of the relevant Clearing Participant (to be capped at the amount set forth in Article 22, Item (2)).

(Article 28 Scope of Variation Margin, etc.)

The Variation Margin, etc. set forth in Article 83-7, Paragraph 1 of the Business Rules shall be as set forth in following Items and the amount set forth in Item (2) shall apply to the Clearing Participant delivering the Japanese government bonds to JSCC:

- (1) The funds to be paid/received pursuant to the provisions of Articles 49, 50, 50-9, 50-10, 52, 53, 54, 65, 66 and 67 of the Business Rules;
- (2) The amount equal to the change in the mark-to-market values of the Japanese government bonds from the date of payment to the Initial Loss-Determination Date in the case where the mark-to-market values of the securities settlement obligation to the Clearing Participant delivering the Japanese government bonds was paid by JSCC from the funds obtained through Standard Repo Transactions to which Clearing Participants are parties executed pursuant to the provisions of Article 74 of the Business Rules.

(Article 29 Amount of Fourth Tier Special Clearing Charge, etc.)

The amount of the Fourth Tier Special Clearing Charge to be prescribed by JSCC in the Subordinate Rules as set forth in Article 83-7, Paragraph 2 of the Business Rules shall be the amount set forth in each of the following Items according to the classification of the Participants Bearing Fourth Tier Special Clearing Charge (as defined in Article 83-7, Paragraph 1; the same applies hereinafter):

- (1) In the case of each Participant Bearing Fourth Tier Special Clearing Charge (who has not been determined by JSCC to be in the Default, Etc. after the Default Determination Date of the Defaulting Clearing Participant in respect of whom the Fourth Tier Special Clearing Charge is calculated): The amount obtained by prorating the amount of the Loss Resulting from Default Settlement after the recovery of loss pursuant to Articles 83-6 of the Business Rules (after the deduction of the amount of the Fourth Tier Special Clearing

Charge Collateral deposited with JSCC by the Participant Bearing Fourth Tier Special Clearing Charge determined by JSCC to be in the Default, Etc. after the Default Determination Date) according to the amount equal to the gain in relation to such Participant Bearing Fourth Tier Special Clearing Charge; and

- (2) In the case of the Participant Bearing Fourth Tier Special Clearing Charge determined to be in the Default, Etc. after the Default Determination Date of the Defaulting Clearing Participant in respect of whom the Fourth Tier Special Clearing Charge is calculated: The amount of the Fourth Tier Special Clearing Charge Collateral posted with JSCC by such Participant Bearing Fourth Tier Special Clearing Charge.

#### Chapter 5 Special Clearing Charge Collateral

##### (Article 30 Obligation to Post Third Tier Special Clearing Charge Collateral)

In the case where any Clearing Participant is determined to be in Default, Etc., each of the other Clearing Participants are required to post with JSCC, respectively, the amount set forth in the following Items as the Third Tier Special Clearing Charge Collateral (provided, however, the accumulated amount to be deposited with JSCC by each Clearing Participant as the Third Tier Special Clearing Charge Collateral in respect of the same Default Settlement Period shall not exceed the amount equivalent to the Required JGB OTC Transaction Clearing Fund Amount of such Clearing Participant on the day immediately preceding the start date of the Default Settlement Period) according to the cases set forth in the following Items by the date and time set forth in the relevant Items.

- (1) In the case of Article 14, Paragraph 4, where the amount notified by JSCC to each Clearing Participant, pursuant to the provisions of Article 14, Paragraph 4, Item (2), as the Third Tier Special Clearing Charge to be contributed by such Clearing Participant exceeds the sum total of Initial Margin and Default Contingent Margin actually deposited with JSCC by such Clearing Participant:
  - a. Date and time: 4:00 p.m. on the Second Step Auction Date with respect to which such notice was given
  - b. Amount: Amount equal to such excess
- (2) In the case of Article 14, Paragraph 4, where the amount notified by JSCC to each Clearing Participant, pursuant to the provisions of Article 14, Paragraph 4, Item (2), as the Third Tier Special Clearing Charge to be contributed by each such Clearing Participant exceeds the total amount of the Third Tier Special Clearing Charge Collateral actually posted with JSCC by such Clearing Participant:
  - a. Date and time: 11:00 a.m. on the next day following the Second Step Auction Date with respect to which such notice was given
  - b. Amount: Amount equal to such excess

(Article 31 Obligation to Post Fourth Tier Special Clearing Charge Collateral)

In the case where any Clearing Participant is determined to be in Default, Etc., each of the other Clearing Participants are required to post with JSCC, respectively, the amount of money set forth in the following Items as the Fourth Tier Special Clearing Charge Collateral according to the cases set forth in the following Items by the date and time set forth in the relevant Items.

- (1) In the case of Article 14, Paragraph 4, where the sum of the amounts notified by JSCC to each Clearing Participant, pursuant to the provisions of Article 14, Paragraph 4, Item (2), as the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge to be contributed by such Clearing Participant exceeds the sum total of Initial Margin and Default Contingent Margin actually deposited with JSCC by such Clearing Participant:
  - a. Date and time: 4:00 p.m. on the Second Step Auction Date with respect to which such notice was given
  - b. Amount: Amount equal to such excess
  
- (2) In the case of Article 14, Paragraph 4, where the sum of the amounts notified by JSCC to each Clearing Participant, pursuant to the provisions of Article 14, Paragraph 4, Item (2), as the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge to be contributed by each such Clearing Participant exceeds the total amount of Third Tier Special Clearing Charge Collateral and the Fourth Tier Special Clearing Charge Collateral actually posted with JSCC by such Clearing Participant:
  - a. Date and time: 11:00 a.m. on the next day following the Second Step Auction Date with respect to which such notice was given
  - b. Amount: Amount equal to such excess

(Article 32 Application and Return of Special Clearing Charge Collateral)

On the day immediately following the Initial Loss-Determination Date for the Defaulting Clearing Participant, JSCC will apply the Third Tier Special Clearing Charge Collateral posted with JSCC by each Clearing Participant in accordance with Article 30 to pay the obligations related to the Third Tier Special Clearing Charge payable by the Clearing Participant to JSCC and also apply the Fourth Tier Special Clearing Charge Collateral posted with JSCC by the Clearing Participant in accordance with the preceding Article to pay the obligations related to the Fourth Tier Special Clearing Charge payable by the Clearing Participant to JSCC, respectively. The amount remaining, if any, after the application shall be returned to the Clearing Participant promptly after the application.

(Article 33 Required Amount of Default Contingent Margin)

1 The Required Amount of Default Contingent Margin of each Clearing Participant set forth in Article 83-9 of the Business Rules shall be an amount calculated pursuant to each Item below on each day (other than holiday; the same applies in this Article) during a Default Settlement Period.

- (1) On each day during a Default Settlement Period, an amount equivalent to the Required JGB OTC Transaction Clearing Fund Amount (hereinafter referred to as "Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount") shall be calculated in accordance with the Appendix "Calculation of Required JGB OTC Transaction Clearing Fund Amount" to the Rules on Required JGB OTC Transaction Clearing Fund Amount. In this case, the "First Required Margin Amount of each Clearing Participant" set forth in the Paragraph 2 of Appendix shall be deemed to be replaced with "First Required Margin Amount of each Non-Defaulting Clearing Participant".
- (2) An amount to serve as a basis for calculation of Required Amount of Default Contingent Margin (hereinafter referred to as "Calculation Base for Required Amount of Default Contingent Margin") shall be calculated pursuant to a. and b. below in accordance with the classifications set forth in a. and b. below:
  - a. On the day on which the Default Settlement Period commences: if the Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount calculated on such day is less than the latest Required JGB OTC Transaction Clearing Fund Amount ~~calculated on or before the day on which the Default Settlement Period commences on the previous day, such the~~ Required JGB OTC Transaction Clearing Fund Amount ~~on the previous day~~ shall be the Calculation Base for Required Amount of Default Contingent Margin on such day, and if the Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount calculated on such day is not less than the Required JGB OTC Transaction Clearing Fund Amount calculated on or before the day on which the Default Settlement Period commences on the previous day, the Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount calculated on such day shall be the Calculation Base for Required Amount of Default Contingent Margin on such day.
  - b. On the day other than the day on which the Default Settlement Period commences: if the Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount calculated on such day is less than the Calculation Base for Required Amount of Default Contingent Margin on the previous day, the Calculation Base for Required Amount of Default Contingent Margin on the previous day shall be the Calculation Base for Required Amount of Default Contingent Margin on such day, and if the Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount calculated on such day is not less than the Calculation Base for Required Amount of Default Contingent Margin on the previous day, the Amount Equivalent to Required JGB OTC Transaction Clearing Fund Amount calculated on such day shall be the Calculation Base for Required Amount of Default Contingent Margin on such day. In this case, the calculation of the Calculation Base for Required Amount of Default Contingent Margin shall be made successively from the next day following the day on which the Default Settlement Period commences.

(3) The Required Amount of Default Contingent Margin shall equal to the

Calculation Base for Required Amount of Default Contingent Margin on such day less the Required JGB OTC Transaction Clearing Fund Amount on the day immediately preceding the day on which the Default Settlement Period commences.

~~(3)~~(4) Notwithstanding the provisions in Item (2), in the event that an Default, Etc. is determined in respect of other JGB OTC Transaction Agency Clearing Participant(s) in the Default Settlement Period, and the Transfer of the Customer Position is conducted as stipulated in Article 81, Paragraph 1 of the Rules, the Calculation Base for Required Amount of Default Contingent Margin for the Customer Position in the Receiving Account on the following day of the relevant Default Determination Date shall be the Calculation Base for Required Amount of Default Contingent Margin on the preceding day of the relevant Default Determination Date.

2. Notwithstanding of the provisions in the preceding Paragraph, the required amount of Default Contingent Margin set forth in Article 83-9 related to a Sponsored Netting Account and a Sponsoring Netting Account shall be the amount obtained by deducting the Required JGB OTC Transaction Clearing Fund on the day immediately preceding the start date of Default Settlement Period, calculated deeming the Clearing Sponsored Scheme has not been used from Calculation Base for Required Amount of Default Contingent Margin for the day, calculated deeming the Clearing Sponsored Scheme has not been used.

(Article 34 Payment of Special Clearing Charge upon Final Determination of Loss)

1 In accordance with Article 83-11, Paragraph 1 of the Business Rules, JSCC may withdraw certain amount out of the JGB OTC Transaction Clearing Fund deposited with JSCC by each Clearing Participant or, instead, request payment of such amount from the Clearing Participant.

2 Notwithstanding Article 24, each Clearing Participant shall, in the case where it is supposed to pay the Special Clearing Charge to JSCC pursuant to Article 83-11, Paragraph 1 of the Business Rules, pay the Special Clearing Charge to JSCC by such method as prescribed by JSCC at each occasion.

## Chapter 6 Distribution of Collected Amount

(Article 35 Clearing Participants Eligible to Receive Distribution of Collected Amount)

The Clearing Participants to be prescribed by JSCC in the Subordinate Rules as set forth in Article 84, Paragraph 1 of the Business Rules shall be the Clearing Participants listed below.

- (1) The Clearing Participants who have paid their respective Fourth Tier Special Clearing Charges to JSCC;

- (2) The Clearing Participants who have paid their respective Third Tier Special Clearing Charges to JSCC;
- (3) The Clearing Participants who have had their respective JGB OTC Transaction Clearing Fund drawn down pursuant to the provisions of Article 83-2 or 83-5 of the Business Rules (or paid to JSCC the amount otherwise to have been drawn down pursuant to Paragraph 1 of the preceding Article) with the amount thus drawn down or paid, as the case may be, applied to recover the losses incurred by JSCC due to the Loss Resulting from Default Settlement, or the Default, Etc. of one or more Clearing Participants; and
- (4) The Clearing Participants who have incurred loss from reconstruction of the Unsettled Position when the Close-out Netting of Unsettled Positions was conducted pursuant to Article 80-5, Paragraph 1 of the Business Rules.

(Article 36 Distribution Procedure)

1 In each case set forth in each Item of Article 84, Paragraph 1 of the Business Rules, JSCC will distribute the amount set forth in each such Item, net of the expenses incurred for collection, etc. thereof, to the relevant Clearing Participant in the order of the following Items in proportion to such amount applicable to each Clearing Participant up to the amount set forth in each of the following Items.

- (1) To the Clearing Participants set forth in Item (1) of the preceding Article in proportion to the amount of the Fourth Tier Special Clearing Charge paid by them, respectively, to JSCC;
- (2) To the Clearing Participants set forth in Item (2) of the preceding Article in proportion to the amount of the Third Tier Special Clearing Charge paid by them, respectively, to JSCC;
- (3) To the Clearing Participants set forth in Item (3) of the preceding Article in proportion to the amount of the JGB OTC Transaction Clearing Fund applied to the recovery of the loss incurred by JSCC due to the Loss Resulting from Default Settlement or the Default, Etc. of any Clearing Participant; and
- (4) To the Clearing Participant set forth in Item (4) of the preceding Article in proportion to the amount of the loss set forth therein.

2 In the case where JSCC deems it necessary for ensuring appropriate implementation of the distribution to be made by JSCC pursuant to the preceding Paragraph to the Clearing Participants set forth in Item (4) of the preceding Paragraph, JSCC may request the relevant Clearing Participants to submit the evidence of their respective losses falling under Item (4) of the preceding Paragraph and other necessary information.

- 3 The amount of the loss set forth in Paragraph 1, Item (4) will be determined by JSCC based on the advice of the JGB OTC Transaction Default Management Committee and with reference to the evidence and information submitted by the Clearing Participants pursuant to the preceding Paragraph.
- 4 JSCC will pay the distribution amount to each Clearing Participant promptly after the determination of such amount pursuant to Paragraph 1.

(Article 37 Procedure in Absence of Participant Eligible to Receive Collected Amount)  
In the case where there is no Clearing Participant eligible to receive the amount to be distributed pursuant to each Item in Article 84, Paragraph 1 of the Business Rules, JSCC will dispose of the remaining amount, net of the expenses incurred by JSCC for the collection, etc., in the order of, and in such manner as set forth in, the following Items.

- (1) JSCC will reserve and accumulate the remaining amount as the Second Tier JGB OTC Transaction Settlement Guarantee Reserve up to the amount set aside by JSCC as the Second Tier JGB OTC Transaction Settlement Guarantee Reserve pursuant to the provisions of Paragraph 2 of Article 4 in respect of the use of the funds related to the relevant Default Settlement Period, in which case, the reserve and accumulation of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve pursuant to the provisions of Paragraph 2 of Article 4 shall not be deemed to have been performed;
- (2) JSCC will reserve and accumulate the amount remaining after the accumulation pursuant to the immediately preceding Item as the Second Tier JGB OTC Transaction Settlement Guarantee Reserve until the balance of the Second Tier JGB OTC Transaction Settlement Guarantee Reserve reaches 2 billion Japanese Yen;
- (3) JSCC will reserve and accumulate the amount remaining after the accumulation pursuant to Items (1) and (2) as the First Tier JGB OTC Transaction Settlement Guarantee Reserve up to the amount set aside by JSCC as the First Tier JGB OTC Transaction Settlement Guarantee Reserve pursuant to the provisions of Paragraph 2 of Article 3 in respect of the use of the funds related to the relevant Default Settlement Period, in which case, the reserve and accumulation of the First Tier JGB OTC Transaction Settlement Guarantee Reserve pursuant to the provisions of Paragraph 2 of Article 3 shall not be deemed to have been performed;
- (4) JSCC will reserve and accumulate the amounts remaining after the accumulation pursuant to Items (1), (2) and (3) as the First Tier JGB OTC Transaction Settlement Guarantee Reserve.

## Chapter 7 Miscellaneous Provisions

## (Article 38 Special Rule for Clearing Participant Which Has Several Netting Accounts)

When applying the provisions listed in the left column of the following table to a Clearing Participant which has several Netting Accounts, the terms set forth in the middle column of the said table shall be replaced with the terms set forth in the right column of the said table:

Article 14, Paragraph 4, Item (2)	to be contributed by	to be contributed for each Netting Account by
	to be deposited with JSCC	to be deposited with JSCC for each Netting Account
Article 21	contribution ratio	contribution ratio for each Netting Account
	the Trust Account of the relevant Clearing Participant subject to Original Transaction Proration	the relevant Trust Account of the relevant Clearing Participant subject to Original Transaction Proration
Article 22	Second Tier Clearing Participant Bearing Limit	Second Tier Clearing Participant Bearing Limit for each Netting Account
Article 22-2	JGB OTC Transaction Clearing Fund	JGB OTC Transaction Clearing Fund for each Netting Account
Article 24	to be prescribed by JSCC	to be prescribed by JSCC for each Netting Account
	contribution ratio	contribution ratio for each Netting Account
	deposited	deposited for each Netting Account
Article 25	to be prescribed by JSCC in the Subordinate Rules	to be prescribed by JSCC in the Subordinate Rules for each Netting Account
	on the day (or, if such day falls on a holiday, the	for each Netting Account on the day (or, if such day falls on a holiday, the

	following day that is not a holiday; the same applies hereinafter)	following day that is not a holiday; the same applies hereinafter)
	in respect of any other Default, Etc.	for each Netting Account in respect of any other Default, Etc.
	Third Tier Special Clearing Charge Limit	Third Tier Special Clearing Charge Limit for each Netting Account
	The amount of the Third Tier Special Clearing Charge to be contributed	The amount of the Third Tier Special Clearing Charge for each Netting Account to be contributed
Article 26	The manner to be prescribed by JSCC under Article 85-5, Paragraph 2, Item (1) of the Business Rules shall be	The manner to be prescribed by JSCC under Article 85-5, Paragraph 2, Item (1) of the Business Rules shall be, for each Netting Account,
	in respect of a Clearing Participant	in respect of the relevant Netting account of a Clearing Participant
Article 27	to be prescribed by JSCC	to be prescribed by JSCC for each Netting Account
	Amount of Third Tier Special Clearing Charge (Additional Portion) to be contributed	Amount of Third Tier Special Clearing Charge (Additional Portion) for each Netting Account to be contributed
	set forth in the preceding Item	for each Netting Account set forth in the preceding Item
	set forth in Article 22, Item (2)	for each Netting Account set forth in Article 22, Item (2)
Article 28	The Variation Margin, etc. set forth in Article 83-7, Paragraph 1 of the Business Rules shall be	The Variation Margin, etc. for each Netting Account set forth in Article 83-7, Paragraph 1 of the Business Rules shall be, for each Netting Account,
Article 29	to be prescribed by JSCC	to be prescribed by JSCC for each

		Netting Account
	each of following Items	each of following Items for each Netting Account
	the amount equal to the gain	the amount equal to the gain for each Netting Account
	deposited	deposited for each Netting Account
Article 30	each of the other Clearing Participants are required	each of the other Clearing Participants are required, for each Netting Account,
	by each Clearing Participant	by each Clearing Participant for each Netting Account
	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account
	to be contributed	to be contributed for each Netting Account
	actually deposited with JSCC	for each Netting Account actually deposited with JSCC
Article 31	each of the other Clearing Participants are required	each of the other Clearing Participants are required, for each Netting Account,
	to be contributed	to be contributed for each Netting Account
	actually deposited with JSCC	for each Netting Account actually deposited with JSCC
Article 33	Required Amount of Default Contingent Margin	Required Amount of Default Contingent Margin for each Netting Account
	Required JGB OTC Transaction Clearing Fund Amount	Required JGB OTC Transaction Clearing Fund Amount for each Netting Account

## Supplementary Provision

- 1 These Rules shall come into force as of October 14, 2014.

- 2 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these Rules, then these Rules shall come into effect on the date on or after October 14, 2014 designated by JSCC. In such case, matters necessary upon enforcement of these Rules shall be prescribed by JSCC at each time.

#### Supplementary Provision

These Amendments shall come into force as of October 3, 2016.

#### Supplementary Provisions

- 7 These revised Rules shall come into effect on May 1, 2018.
- 8 Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after May 1, 2018 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provision

These Amendments shall come into force as of June 18, 2018.

#### Supplementary Provisions

1. These revised Rules shall come into effect on December 18, 2023.
2. Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after December 18, 2023 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

These revised Rules shall come into effect on June 18, 2024.

#### Supplementary Provisions

1. These revised Rules shall come into effect on June 23, 2025.
2. Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 23, 2025 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.

#### Supplementary Provisions

1. These revised Rules shall come into effect on June 8, 2026
2. Notwithstanding the provisions of the immediately preceding paragraph, when, due to an unavoidable reason, such as trouble in JSCC's system operation, JSCC deems that it is not appropriate to apply these revised Rules, then These revised Rules shall come into effect on the date on or after June 8, 2026 designated by JSCC. In such case, matters necessary upon enforcement of these revised Rules shall be prescribed by JSCC at each time.