

Partial Amendment to Interest Rate Swap Clearing Business Rules and Subordinate Rules in association with Revision of Clearing Broker Take-up Process in IRS Clearing Service

I. Purpose of Amendment

JSCC will make necessary amendments to the Interest Rate Swap Clearing Business Rules and subordinate rules as per Annex attached hereto, so that JSCC and a Clearing Broker may skip the process of checking Clearing Broker's intention related to the clearing brokerage (hereinafter referred to as "Take-up Process") to streamline the clearing process related to the trades of Clients (for this purpose, a "Client" refers to a Customer not in the same corporate group as the Clearing Broker acting on its behalf; the same applies hereinafter) executed on Swap Execution Facility or Multilateral Trading Facility.

II. Outline of Amendment

- A Clearing Broker wishes to skip Take-up Process related to its Client trades shall notify information related to the subject trades to JSCC in advance.
- As to the trades subject to skipping Take-up Process, JSCC deems that a notification related to a request for Clearing Brokerage has been given by JSCC to the Clearing Broker, and a notification of the acceptance of the Clearing Brokerage has been given by the Clearing Broker to JSCC.

(Remarks)

- Interest Rate Swap Clearing Business Rules Article 54-2.4 and Article 55-2.
- Handling Procedures of Interest Rate Swap Business Rules Article 31-2
- Exhibit Form 3 and Exhibit Form 3-2 to Handling Procedures of Interest Rate Swap Business Rules

III. Effective Date

These amendments shall come into force on September 19, 2023

(If JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after September 19, 2023.)

End of Document

Business Rules and other Rules Partial Amendment
concerning Interest Rate Swap Clearing Business

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Interest Rate Swap Clearing Business Rules

Original Document Title: 金利スワップ取引清算業務に関する業務方法書

Note

1. JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English translation, the original Japanese document will prevail.
2. For convenience purposes, we have only listed proposed changes to “Interest Rate Swap Clearing Business Rules” associated with “Revision of Clearing Broker Take-up Process in IRS Clearing Service” and other necessary changes in this document.

Article 54-2. Clearing Brokerage by Customer not Belonging to Same Corporate Group as Clearing Broker

1 The following provisions shall apply to Clearing Brokerage by a Customer who does not belong to the same Corporate Group as the Clearing Broker (referred to as “Unaffiliated Customer” in this Article, Articles 55-2 and 57-2).

(1) The provisions of Article 54.1 shall apply *mutatis mutandis*. When applying Article 54.1, the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”

(2) The Clearing Broker and the Unaffiliated Customer shall agree in advance that, when the notification given under Item (1) arrives at JSCC, the Customer shall be deemed to have requested the Clearing Broker in respect of the IRS Transactions set forth in Item (1).

(3) The provisions of Article 54.3 shall apply. When applying Article 54.3, the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”

(4) The notification set forth in Paragraph 1 by Unaffiliated Customer shall be deemed as its declaration, to the Original Counterparty, of an agreement to terminate the Clearing Brokerage Original Transaction subject to instruction to clear through Clearing Brokerage, provided that below listed conditions are met:

- i. Based on the request pursuant to the provisions of Item (2), an Eligible IRS Transaction, identical to the Clearing Brokerage Original Transaction in the terms and conditions as separately prescribed by JSCC¹, comes into effect between such Clearing Broker and the Original Counterparty or a Clearing Participant acting on behalf of such Original Counterparty;
- ii. The provisions of Article 54.4.(2) shall apply. In applying Article 54.4.(2), the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”
- iii. The provisions of Article 54.4.(3) shall apply. In applying Article 54.4.(3), the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”

¹ *cf.* Handling Procedures of IRS Clearing Business, Article 34.2.

(5) The provisions of Article 54.5 shall apply. In applying Article 54.5., the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”

2 Upon receipt of the notification set forth in Article 54.1 which applies to this Article as per provisions of Paragraph 1, JSCC shall inform the Clearing Broker of the contents of such notice as required according to its rules.

3 The Clearing Broker that has received the notification as set forth in Paragraph 2 shall advise JSCC of its decision as to whether or not it accepts such request for Clearing Brokerage.

4 Notwithstanding the provisions of Paragraphs 2 and 3 above, if a Clearing Broker notifies JSCC of its desire to skip the notifications set forth in Paragraphs 2 and 3 above in a manner prescribed by JSCC², the Clearing Broker and the Unaffiliated Customer agree in advance to the effect that the notification from JSCC to the Clearing Broker under Paragraph 2 and the notification of the acceptance from the Clearing Broker to JSCC under Paragraph 3 shall be deemed to have been given when the notification set forth in Article 54.1 to apply *mutatis mutandis* in accordance with the provisions of Paragraph 1 arrives at JSCC.

Article 55-2. Execution of Cleared Contracts according to Request for Clearing Brokerage by Customer not Belonging to Same Corporate Group as Clearing Broker

The following provisions shall apply.

(1) When the Clearing Broker advises JSCC of its acceptance of an Unaffiliated Customer’s request for Clearing Brokerage pursuant to the provisions of Article 54-2.3 or is deemed to have advised JSCC of its acceptance of an Unaffiliated Customer’s request for Clearing Brokerage pursuant to the provisions of Article 54-2.4, an IRS Transaction identical, in terms of the terms and conditions separately prescribed by JSCC³, to the Clearing Brokerage Original Transaction shall come into effect between the Clearing Broker who provides Clearing Brokerage services to the Unaffiliated Customer and the Designated Counterparty in the

² cf. Handling Procedures of IRS Clearing Business, Article 31-2.

³ cf. Handling Procedures of IRS Clearing Business, Article 34.2.

manner as separately prescribed by JSCC⁴.

- (2) The provisions of Article 55.2 shall apply.
- (3) The provisions of Article 55.3 shall apply. In applying Article 55.3, the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”
- (4) The provisions of Article 55.4 shall apply.
- (5) The provisions of Article 55.5 shall apply. In applying Article 55.5, the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”
- (6) The provisions of Article 55.6 shall apply. In applying Article 55.6, the term “Affiliated Customer” shall be replaced with “Unaffiliated Customer.”

Supplementary Provisions

1. These amendments shall come into force as of September 19, 2023.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after September 19, 2023.

⁴ cf. Handling Procedures of IRS Clearing Business, Article 33.

Handling Procedures of Interest Rate Swap Business Rules

Original Document Title : 金利スワップ取引清算業務に関する業務方法書の取扱い

Note:

1. JSCC hereby certifies that to the best of its knowledge, the foregoing is a fair and accurate English translation of a document originally written in Japanese. In the event of any inconsistency between the original Japanese document and this reference English translation, the original Japanese document will prevail. Provided, however, the Exhibit Form 3-2 (Clearing Brokerage Agreement) in English is the original format.
2. For convenience purposes, we have only listed proposed changes to “Handling Procedures of Interest Rate Swap Business Rules” associated with “Revision of Clearing Broker Take-up Process in IRS Clearing Service” in this document.

Article 31-2. Skip Notifications concerning Clearing Brokerage Request

- 1 The notification to be given in a manner prescribed by JSCC under Article 54-2.4 of the Business Rules, including any notification of a revision of the notified matters, shall be given through a submission to JSCC of the document prescribed by JSCC.
- 2 When a Clearing Broker ceases the treatment of skipping the notifications of Articles 54-2.2 and 54-2.3 of the Business Rules as per the provisions of Article 54-2.4, it shall submit to JSCC the document prescribed by JSCC.

Supplementary Provisions

1. These amendments shall come into force as of September 19, 2023.
2. Notwithstanding the provisions of Paragraph 1, if JSCC considers it inappropriate to apply amended rules due to an unavoidable reason, such as failure of the system installed by JSCC which is necessary for settlements between JSCC and Clearing Participants in relation to Cleared Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after September 19, 2023.

<Exhibit Form 3-2> Clearing Brokerage Agreement (English language original format)

Article 4. Clearing Brokerage

- 1 When Party B intends to apply for Clearing Brokerage to Party A, Party B shall notify JSCC, in the manner set forth in the Rules, of (i) the name of the Clearing Participant who will become the counterparty (“Designated Counterparty”) to the IRS Transaction which will come into effect between Party A and the said Designated Counterparty through the Clearing Brokerage and (ii) other matters set forth in the Rules.
- 2 Party A and Party B hereby agree in advance that, when the notification given under Paragraph 1 arrives at JSCC, Party B shall be deemed to have applied for Party A's Clearing Brokerage in respect of the IRS Transaction set forth in Paragraph 1 and Party A shall be deemed to have accepted such application at the time of JSCC's receipt.
- 3 Notwithstanding the provision of Paragraph 2, if Party B does not belong to the same Corporate Group (*kigyō shuudan*) as Party A, then the phrase “and Party A shall be deemed to have accepted such application” in Paragraph 2 shall be deleted.
- 4 Paragraphs 2 and 3 above shall not apply if:
 - (1) the notification given under Paragraph 1 fails to meet conditions prescribed in the Rules; or
 - (2) the contents of the notification set forth in Paragraph 1 are inconsistent with a separate agreement concerning limits on Clearing Brokerage made between Party A and Party B to the extent permitted by the Rules, if any, provided that the terms of such agreement is notified to JSCC in the manner prescribed by JSCC.
- 5 When Party B is deemed to have applied for Clearing Brokerage to Party A pursuant to the provision of Paragraph 2 as amended by the provision of Paragraph 3, and JSCC gives notice concerning such application to Party A in accordance with the provisions of the Rules, Party A shall notify JSCC of its decision as to whether or not it accepts Party B's application for Clearing Brokerage for the IRS Transaction; provided, however, that Party A and Party B hereby agree in advance that if Party A has given, pursuant to the provisions of the Rules, a notification of its desire to skip JSCC's notification to Party A related to the request for Clearing Brokerage and Party A's notification to JSCC of its acceptance or denial of the request for Clearing Brokerage of the IRS Transaction related to such notification, JSCC's notification to Party A related to the request for Clearing Brokerage and Party A's notification to JSCC of its acceptance of the request for Clearing Brokerage shall be deemed to have been given upon arrival of the notification set forth in Paragraph 1 at JSCC.

Article 5. Execution of Cleared Contract Subject to Brokerage

- 1 When the notification specified in Article 4.1 of this Agreement arrives at JSCC and Clearing Brokerage is deemed to have been applied for and accepted pursuant to the provision of Article 4.2

of this Agreement, an IRS Transaction of which the terms and conditions in the Rules are identical to the Clearing Brokerage Original Transaction (*seisan toritsugi gen torihiki*) shall come into effect between Party A for the account of Party B and the Designated Counterparty in the manner as set forth in the Rules.

- 2 Notwithstanding the provision of Paragraph 1, if Party B does not belong to the same Corporate Group as Party A, the phrase "Clearing Brokerage is deemed to have been applied for and accepted pursuant to the provision of Article 4.2 of this Agreement" in Paragraph 1 shall be replaced with the phrase "Party A notifies JSCC of its decision to accept Party B's application for Clearing Brokerage pursuant to the provision of Article 4.5 of this Agreement or JSCC's notification to Party A related to the request for Clearing Brokerage and Party A's notification to JSCC of its acceptance of the request for Clearing Brokerage shall be deemed to have been given pursuant to the proviso of Article 4.5 of this Agreement."
- 3 When an IRS Transaction comes into effect between Party A and the Designated Counterparty pursuant to the provisions of Paragraph 1 or 2, Party A and the Designated Counterparty shall be deemed to have made notification to JSCC requesting Clearing (*saimu futan*) for such IRS Transaction in accordance with the provisions of the Rules.
- 4 When the Cleared Contract subject to Brokerage comes into effect, Party A shall notify Party B of that effect and the details thereof without delay.