

**Partial Amendment to Interest Rate Swap Clearing Business Rules and Other Rules in  
association with Expansion of Cross Margining Covered Trades and Other Framework  
Revisions**

I. Purpose of Amendment

Japan Securities Clearing Corporation (JSCC) will make necessary amendments to i) the Interest Rate Swap Clearing Business Rules as per Annex 1, ii) the Business Rules for Securities and Similar Contracts Clearing Business as per Annex 2, and iii) the CDS Clearing Business Rules as per Annex 3, to implement an addition of 3-Month TONA Futures to the Cross Margining covered trades and accommodate certain measures for, among others, a reduction of rejections of clearing requests and a reduction of collateral operational burden, for the purpose of an enhancement of collateral burden reduction effect in JSCC's Interest Rate Swap Clearing Business.

II. Outline of Amendment

1. Interest Rate Swap Clearing Business Rules and Subordinate Rules

(1) Cross Margining with Interest Rate Futures Contracts

- Add the Interest Rate Futures Contracts to the Cross Margining covered trades.
- The Interest Rate Futures Contracts to be added to the Cross Margining covered trades are the JSCC-designated contract months of the Interest Rate Futures Contracts JSCC clears.

(Remarks)

- Interest Rate Swap Clearing Business Rules (hereinafter referred to as "IRS Business Rules"), Articles 2.1.(13)-5 et al.
- Handling Procedures of Interest Rate Swap Business Rules (hereinafter referred to as the "IRS Handling of Business Rules"), Article 3-2.1.(3) et al.

(2) Addition of New Criteria related to Judgment of Successful Clearing upon Clearing of New Trades

- JSCC clears trades even if the amount sufficient to cover the Margin Required to Clear related to a Clearing Participant or a Customer (Affiliate or Client) has not been deposited with JSCC if the criteria prescribed by JSCC are met.

(3) Partial Revision of Customer Buffer Framework

- When including shortfall in Intraday Margin in a scope of allocation of Customer Buffer to Customers to which utilization of Customer Buffer is allowed, a Clearing Broker shall give an advance notification to such effect to JSCC.
- When the amount sufficient to cover the Required Intraday Margin with respect to a Customer covered under the said notification has not been deposited with or delivered to JSCC, Customer Buffer is allocated to such shortfall.
- If there is an excess in the allocated Customer Buffer in a Customer Account at the time of Intraday Margin calculation and before the start of the clearing from 5:30 p.m., such excess will be released from allocation.

(4) Enhancement of US Treasuries Collateral Flow

- When requesting a withdrawal of US Treasuries deposited as Eligible Securities Collateral, a Clearing Participant shall notify JSCC of such effect by 11:00 a.m. on the day on which such withdrawal is to be made.

(5) Other

- Other necessary amendments are made.

2. Business Rules for Securities and Similar Contracts Clearing Business

(1) Cross Margining with Interest Rate Futures Contracts

- Handling of the Interest Rate Futures Contracts subject to the Cross Margining shall be the same as the handling of the JGB Futures Contracts subject to the Cross Margining.

- IRS Business Rules, Article 49 et al.

- IRS Handling of Business Rules, Article 28 et al.

- IRS Business Rules, Articles 84-6.3 and 84-6.4 et al.

- IRS Business Rules, Article 84-7.2 et al.

- IRS Business Rules, Article 84-7.3 et al.

- IRS Handling of Business Rules, Article 13.2.(2).c.

- Business Rules for Securities and Similar Contracts Clearing Business, Article 73-15-2,

Article 73-15-3, Article 73-15-4 et al.

(2) Other

- Other necessary amendments are made.

3. Handling Procedures of CDS Business Rules

Enhancement of Collateral Operational Flow related to US Treasuries

- When requesting a withdrawal of US Treasuries deposited as Eligible Securities Collateral, a Clearing Participant shall notify JSCC of such effect by 11:00 a.m. on the day on which such withdrawal is to be made.
- Handling Procedures of CDS Business Rules, Article 17.2.(2).c

III. Effective Date

These amendments shall come into force on March 4, 2024.

- However, 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 March 4, 2024.

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 added certain explanatory footnotes that do not appear in the Japanese original.

## Article 2. Definitions

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

- (1) “Transfer” means any of the following:
- a. a process to have a Clearing Brokerage Contract between a Transferring Customer (as such term defined in Article 58-4.1; the same applies in this item) and the Clearing Broker for the Transferring Customer terminate and to have the claims and obligations thereunder cease to have future effect pursuant to the provisions of Article 58-5.4;
  - b. a process to have a Clearing Brokerage Contract between a Transferring Customer and the Clearing Broker for the Transferring Customer terminate and to have the claims and obligations thereunder cease to have future effect pursuant to the provisions of Article 58-5.4, and simultaneously to have a legal relationship with the same terms and conditions as the said Clearing Brokerage Contract come into effect between the Receiving Customer (as such term defined in Article 58-4.1) and the Clearing Broker for the Receiving Customer; and
  - c. a process to have a legal relationship with the same economic effect as the Proprietary Cleared Contract between JSCC and the Transferring Clearing Participant (as such term defined in Article 58-6.1) come into effect between a Receiving Customer (as such term defined in Article 58-6.1) and the Clearing Broker for the Receiving Customer;
- (1)-2 “Customer Initial Margin” means any Japanese yen Cash or Eligible Securities Collateral deposited with a Clearing Broker by a Customer and kept by the Clearing Broker with the consent of the Customer for the purpose of securing the obligations of such Customer set forth in Article 61.1.(2);
- (2) “Customer Account” means a customer account set forth in Article 59.2;

- (2)-2 “Vendor-Initiated Compression” means a process to conduct Compression of a package of Cleared Contracts of multiple Clearing Participants as prescribed by JSCC in accordance with the provisions of Article 53-2-2.
- (2)-3 “JPY Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in Japanese yen.
- (3) “Parent Company” means, with respect to a Legal Entity,
- a. a parent company of such Legal Entity (meaning any other Legal Entity controlling the financial and business policy of such Legal Entity)
  - b. a Legal Entity controlling the financial and business policy of a parent company of such Legal Entity, if any;
  - c. a subsidiary of a parent company of a Legal Entity (meaning any other Legal Entity whose financial and business policy is controlled by a parent company of such Legal Entity);
  - d. a subsidiary of a Legal Entity described in c. above; and
  - e. other persons deemed by JSCC as those equivalent to the foregoing;
- (4) “Parental Guarantee” means a guarantee extended by the Parent Company of a Clearing Participant to secure the obligation of such Clearing Participant owing to JSCC by submitting a letter of guarantee in the form prescribed by JSCC<sup>1</sup>, including other documents deemed by JSCC to be equivalent to such letter of guarantee, to JSCC;
- (4)-2 “Unwind Fee” means, when Cleared Contracts terminate before its scheduled Termination Date as a result of Vendor-Initiated Compression, Member-Initiated Compression or JSCC-Initiated Compression, Cash to be paid or received between

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<sup>1</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 3 as well as Exhibit Form 1.

JSCC and Clearing Participants which are parties to the relevant Cleared Contracts;

(4)-3 “Foreign Currency Cleared Contract” means Cleared Contract whose Notional Amount and settlement currency are denominated in any currency other than Japanese yen;

(4)-4 “Foreign Currency Home Business Day” means Sydney Business Day for AUD Cleared Contracts, New York Business Day for USD Cleared Contracts and TARGET Settlement Day for EUR Cleared Contracts;

(4)-5 “Foreign Currency Home Holiday” means any day other than Foreign Currency Home Business Day;

(4)-6 “Customer Buffer” means Initial Margin a Clearing Broker deposits with or delivers to JSCC for the purpose of allocation to a deficit pursuant to the provisions of Article 84-7 when a Customer has not deposited with or delivered to JSCC an amount sufficient to cover the Margin Required to Clear set forth in Article 49.1 or the Required Intraday Margin set forth in Article 69.1;

~~(4)-7 “Available Customer Buffer Amount” means an amount of the Customer Buffer made available to a Customer intending to request a Clearing Broker to act on its behalf, which is equal to the amount obtained by subtracting the amount of the Customer Buffer already allocated to the relevant Customer Account as of the time at which the notification set forth in Article 54.1 related to the relevant request (including the case where such provisions apply *mutatis mutandis* under Article 54-2.1) is given from the Customer Buffer Cap, or, if such amount is more than the Customer Buffer Unallocated Balance, the amount of such Customer Buffer Unallocated Balance;~~

(4)-~~7~~8 “Customer Buffer Cap” means an upper allocation limit of the Customer Buffer for each Customer Account, which a Clearing Broker sets as a cap on the accumulated amount for one JSCC Business Day allowed to be allocated, and notifies to JSCC pursuant to the provisions of Article 84-6;

(4)-~~8~~9 “Customer Buffer Unallocated Balance” means the amount obtained by subtracting



the amount of Customer Buffer already allocated pursuant to the provisions of Articles 84.7.1 and 84.7.2 to Customer Accounts of Customers who have concluded the Clearing Brokerage Agreement with the relevant Clearing Broker from the amount of the Customer Buffer deposited with JSCC by the Clearing Broker.

- (5) “Corporate Group” means a corporate group set forth in Article 5.1.(2) of the Financial Instruments and Exchange Act;
- (6) “Early Termination” means a termination of a Cleared Contract before the Termination Date for any reason other than Compression;
- (7) “Early Termination Charge” means Cash received and paid between the parties to a Cleared Contract in the case of its Early Termination;
- (8) “Subordinate Rules” means the rules set by JSCC that are subordinate to these Business Rules, in whatever name and including the amendments thereto, if any;
- (9) “Business Holiday” means a holiday set forth in Article 5.1 or an extraordinary holiday set forth in Article 5.2;
- (9)-2 “Cash” means Japanese yen, Australian dollars, United States dollars and Euro;
- (10) “Funds” means Cash, securities, claims and any other property;
- (10)-2 “Interest Rate Futures Cleared Contract” means a Cleared Contract related to Interest Rate Futures Contract;
- (10)-3 “Interest Rate Futures Contract” means an Interest Rate Futures Contract set forth in Article 3.2.(4)-2 of the Securities and Similar Contracts Business Rules;
- (11) “IRS Clearing Fund” means Japanese yen Cash or Eligible Securities Collateral deposited with JSCC by each Clearing Participant for the purpose set forth in Article 17.1;

- (12) “IRS Clearing Qualification” means a permission to become a JSCC’s counterparty in a Cleared Contract in accordance with the Rules which may be granted or cancelled by JSCC;
- (13) “IRS Transaction” means an interest rate swap transaction which is an OTC derivatives transaction prescribed in Article 2.22.(5) of the Financial Instruments and Exchange Act;
- (13)-2 “Blended Rates Compression” means a process to conduct Compression in the manner prescribed by JSCC in accordance with the provisions of Article 53-2.
- (13)-2-2 “Client Clearing” means a Clearing for a Customer which does not belong to the same Corporate Group as its Clearing Broker;
- (13)-3 “Cross Margining Accepting Party” means a Clearing Participant which gives, pursuant to the provisions of Article 84-2.2, to JSCC a notice of acceptance or rejection of an application for having Positions in JGB Futures Contracts or Interest Rate Futures Contracts covered under Cross Margining submitted to JSCC pursuant to the provisions of the Securities and Similar Contracts Business Rules (“Cross Margining Request”);
- (13)-4 “Cross Margining Requestor” means a JGB Futures Clearing Participant which makes a Cross Margining Request to JSCC;
- (13)-5 “Cross Margining” means a scheme of calculating Required Initial Margin for Positions in JGB Futures Contracts or Interest Rate Futures Contracts designated by JSCC under the Rules<sup>2</sup>;
- (13)-6 “Cross Margined Interest Rate Futures Cleared Contract” means an Interest Rate Futures Cleared Contract Positions in which are recorded on a Proprietary Account or a Customer Account pursuant to the provisions of Article 84-4.3

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<sup>2</sup> cf. Handling Procedures of IRS Clearing Business, Article 3-2.

(13)-~~76~~ “Cross Margined JGB Futures Cleared Contract” means a JGB Futures Cleared Contract Positions in which are recorded on a Proprietary Account or a Customer Account pursuant to the provisions of Article 84-4.3;

(13)-~~87~~ “Cross Margining Acceptance” means giving a notice of acceptance of Cross Margining Request pursuant to the provisions of Article 84-4.2:

(13)-~~98~~ “Cross Margining User” means a Clearing Participant or a Customer falling under any of the items a. through d. below, and utilizing Cross Margining for its Positions in JGB Futures Contracts or Interest Rate Futures Contracts on its book with respect to whom the notification prescribed in Article 84-2 has been submitted to JSCC:

- a. A JGB Futures Clearing Participant;
- b. A Customer who requested brokerage of its JGB Futures Contracts or Interest Rate Futures Contracts to a JGB Futures Clearing Participant;
- c. A JGB Futures Non-Clearing Participant; or
- d. A Customer who requested brokerage of its JGB Futures Contracts or Interest Rate Futures Contracts to a JGB Futures Non-Clearing Participant.

(14) “Settlement Amount” means, in respect of a Cleared Contract, the amount of Cash to be paid or received between JSCC and a Clearing Participant (excluding those to be paid or received as IRS Clearing Fund, Initial Margin, Variation Margin and interests on Variation Margin) or, if such Cash are paid or received on a net basis pursuant to the provisions of Article 85.2 or Article 85-4.2 hereof among such monies, the amount so netted ;

(15) “Failure of Settlement” means a default or anticipated default in the performance of obligations arising as a result of a Cleared Contract or any other obligations under the Rules in whole or in part by the due date thereof;

(15)-2 “AUD Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in Australian dollars;

(15)-3 “ListedJGB Futures Position Transfer” means a process to have new claims and obligations related to JGB Futures Cleared Contracts and the like and new claims and

obligations related to Interest Rate Futures Cleared Contracts and the like accrue among JSCC, the JGB Futures Clearing Participant and the Cross Margining User falling under the provisions of Article 2.1.(13)-~~98~~.b. to d. (and a JGB Non-Clearing Participant which accepted a brokerage of JGB Futures Contracts for a person falling under Article 2.1.(13)-~~98~~.d.) and to pay or receive Cash and settle claims and obligations in association therewith, in accordance with the provisions of Article 94-3. The claims and obligations related to JGB Futures Cleared Contracts and the like means the claims and obligations related to JGB Futures Cleared Contracts, a Clearing brokerage for JGB Futures Contracts and a brokerage for JGB Futures Contracts; and the same shall apply hereinafter, and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like means the claims and obligations related to Interest Rate Futures Cleared Contracts, a Clearing brokerage for Interest Rate Futures Contracts and a brokerage for Interest Rate Futures Contracts; and the same shall apply hereinafter;

- (15)-4 “~~Listed~~JGB Futures Successor Clearing Broker” means a JGB Futures Clearing Participant that has assumed the claims and obligations arising as a result of the ListedJGB Futures Position Transfer.
- (15)-5 “JGB Futures Cleared Contract” means a Cleared Contract ~~(referring to “Contract subject to Clearing under Article 7.1.(3) of the Securities and Similar Contracts Business Rules)~~ related to JGB Futures Contract;
- (15)-6 “JGB Futures Clearing Participant” means a JGB Futures Clearing Participant set forth in Article 5.3 of the Securities and Similar Contracts Business Rules;
- (15)-7 “JGB Futures Non-Clearing Participant” means a JGB Futures Non-Clearing Participant set forth in Article 73-6.2 of the Securities and Similar Contracts Business Rules;
- (15)-8 “ListedJGB Futures Backup Clearing Broker” means a JGB Futures Clearing Participant who has been designated by a Cross Margining User in advance in accordance with the provisions of Article 45-3 as a JGB Futures Clearing Participant to accept ListedJGB Futures Position Transfer in respect of the claims and obligations related to the JGB Futures Cleared Contracts and the like and the claims and

obligations related to the Interest Rate Futures Cleared Contracts and the like when the claims and obligations come into existence in accordance with the provisions of Article 84-5.1.

- (15)-9 “JGB Futures Contract” means a JGB Futures Contract set forth in Article 3.2.(3) of the Securities and Similar Contracts Business Rules;
- (16) “Uniform International Standard” means the uniform international standard set forth in Article 1.4 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 39, 2000), Article 1.4 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 17 of the Long Term Credit Bank Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 40, 2000), or Article 3.5 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 89, Paragraph 1 of Shinkin Bank Act” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 41, 2000);<sup>3</sup>
- (17) “Japanese Standard” means the standard in Japan set forth in Article 1.5 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act”, Article 1.5 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 17 of the Long Term Credit Bank Act”, or Article 3.4 of “Order Providing for the Categories, etc. Prescribed in Article 26, Paragraph 2 of the Banking Act Applied *mutatis mutandis* pursuant to Article 89, Paragraph 1 of the Shinkin Bank Act”;
- (18) “Fixed Resources for Loss Recovery” means the First Tier IRS Settlement Guarantee Reserve, the Second Tier IRS Settlement Guarantee Reserve and the IRS Clearing Fund deposited with JSCC by each Clearing Participant, up to the Second Tier Clearing Participant Cap, other than the Defaulting Clearing Participant;

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<sup>3</sup> Uniform International Standard is a standard prescribed in Japan under Basel III.

(18)-2 “Compression” means a process to have Cleared Contract(s) terminated before its scheduled Termination Date and have new Cleared Contract(s) simultaneously established;

(19) “Clearing” means execution of an IRS Transaction between JSCC as a principal and each Clearing Participant who is a party to an Eligible IRS Transaction pursuant to Article 49;

(19)-2 “Shortfall in Margin Required to Clear” means, when the sum of the Initial Margin Deposited Amount set forth in Article 66 and the amount of the Customer Buffer allocated to the relevant Customer Account as of the time at which the notification set forth in Article 54.1 related to the request for brokerage for clearing (including the case where such provisions apply mutatis mutandis under Article 54-2.1) is given is less than the Margin Required to Clear set forth in Article 49, the amount equal to the difference between the Margin Required to Clear and the said sum.

(20) “Substituted Initial Margin” means an Initial Margin deposited with JSCC by a Clearing Broker from its own funds for and on behalf of itself and its Customers in respect of a Customer’s Cleared Contract for which they act as the Clearing Broker;

(20)-2 “Member-Initiated Compression” means a process to conduct Compression in the manner prescribed by JSCC in accordance with the provisions of Article 53-2-3.

(21) “Net Capital” means,

for a Financial Instrument Business Operator, the amount of unfixed equity capital set forth in Article 1,4,(2) of the Cabinet Office Ordinance Concerning Financial Instruments Business Operator etc. (Cabinet Office Ordinance No. 52 of 2007);

for a Registered Financial Institution other than insurance company or shinkin bank having one or more overseas office, the amount of gross equity capital used for the calculation of the non-consolidated gross capital adequacy ratio based on the Uniform International Standard (in the case of a foreign bank, the amount of equity capital used for the calculation of the non-consolidated capital adequacy ratio under the applicable

laws and regulations in its home country);

for a Registered Financial Institution other than insurance company having no overseas office and a Registered Financial Institution which is a shinkin bank having one or more overseas office, the amount of equity capital used for the calculation of the non-consolidated capital adequacy ratio based on the Japanese Standard; and

for a Registered Financial Institution which is an insurance company, the amount of net assets;

- (22) “Capital-to-Risk Ratio” means the capital-to-risk ratio set forth in Article 46-6.1 of the Financial Instruments and Exchange Act;
- (23) “Proprietary Account” means a proprietary transaction account set forth in Article 59.2;
- (23)-2 “Designated Market Operator” means a designated market operator set forth in Article 3.2.(1) of the Securities and Similar Contracts Business Rules designated by JSCC<sup>4</sup>;
- (23)-3 “Sydney Business Day” means a day on which banks are open for business in Sydney, Australia and fund settlement in Australian dollars is performed;
- (24) “Clearing Broker” means a Clearing Participant who has entered into a Clearing Brokerage Agreement with a Customer;
- (24)-2 “Position Transfer” means a process to have new claims and obligations related to a Proprietary Cleared Contract accrue between JSCC and the Clearing Participant and to pay or receive Cash and settle claims and obligations in association therewith, in accordance with the provisions of Article 53-4.4 or a process to have new claims and obligations related to Customer’s Cleared Contracts and Clearing Brokerage Contracts accrue among JSCC, a Clearing Participant and a Customer, and to pay or receive Cash and settle claims and obligations in association therewith, in accordance with the provisions of Article 58-3.4, Article 94.6 or Article 94-2.2;

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<sup>4</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 3-3.

- (24)-3 “Successor Clearing Broker” means a Clearing Broker that has assumed the claims and obligations arising as a result of the Position Transfer.
- (24)-4 “Securities and Similar Contracts Business Rules” means the business rules prescribed by JSCC for its securities and similar contracts clearing business;
- (25) “Margin” collectively means Initial Margin, Customer Initial Margin and Variation Margin;
- (26) “Net Present Value” means the value calculated by discounting the future cash-flows arising from an IRS Transaction to the present value according to the method prescribed by JSCC<sup>5</sup>;

(26)-2 “Available Customer Buffer Amount at New Clearing” means an amount of the Customer Buffer made available to a Customer intending to request a Clearing Broker to act on its behalf, which is equal to the amount obtained by subtracting the amount of the Customer Buffer already allocated to the relevant Customer Account as of the time at which the notification set forth in Article 54.1 related to the relevant request (including the case where such provisions apply *mutatis mutandis* under Article 54-2.1) is given from the Customer Buffer Cap, or, if such amount is more than the Customer Buffer Unallocated Balance, the amount of such Customer Buffer Unallocated Balance;

- (27) “Customer” means a person who has entered into a Clearing Brokerage Agreement with a Clearing Participant and submitted a letter of undertaking as prescribed in Article 43.2 to JSCC, and who satisfies the requirements prescribed by JSCC<sup>6</sup>;
- (28) “Clearing Brokerage Contract” means a legal relationship between a Clearing Broker and a Customer coming into effect as a result of each Clearing Brokerage in accordance with the Clearing Brokerage Agreement, which has the same economic effect as the Customer’s Cleared Contract coming into effect as a result of the said brokerage;

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<sup>5</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 4.

<sup>6</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 5.



- (28)-2 “Clearing Brokerage Contract (Settlement Type)” means a contract for which Variation Margin shall not be paid or received, but Mark-to-Market Difference shall be paid or received pursuant to these Business Rules;
- (28)-3 “Clearing Brokerage Contract (Collateral Type)” means a contract for which Variation Margin shall be paid or received pursuant to these Business Rules;
- (29) “Clearing Participant” means a person who holds an IRS Clearing Qualification;
- (30) “Clearing Participant Agreement” means an agreement between JSCC and a Clearing Participant in the form prescribed by JSCC<sup>7</sup>, which incorporates the terms of the Rules;
- (31) “Clearing Brokerage Agreement” means an agreement entered into between a Customer and a Clearing Broker in the form prescribed by JSCC<sup>8</sup>, including any agreements entered into between the Clearing Broker and a Customer in accordance with such agreement, under which the Clearing Broker may accept the Customer’s IRS Transactions for Clearing;
- (32) “Clearing Brokerage Original Transaction” means the original IRS Transaction that existed between a Customer and a Clearing Participant or another Customer for which the Customer requested Clearing via their Clearing Broker;
- (33) “Clearing Brokerage Account” means a clearing brokerage account as set forth in Article 60.1;
- (34) “Cleared Contract” means an IRS Transaction between JSCC and a Clearing Participant that comes into effect as a result of Clearing;
- (35) “Customer’s Cleared Contract” means a Cleared Contract on the Customer’s book executed by a Clearing Broker according to a request of a Customer for Clearing

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<sup>7</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 6, as well as Exhibit Form 2.

<sup>8</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 7, as well as Exhibit Form 3.

Brokerage;

(35)-2 “Cleared Contract (Settlement Type)” means a Cleared Contract for which Variation Margin shall not be paid or received, but Mark-to-Market Difference shall be paid or received pursuant to these Business Rules;

(36) “Proprietary Cleared Contract” means a Cleared Contract executed by a Clearing Participant on its proprietary book;

(36)-2 “Cleared Contract (Collateral Type)” means a Cleared Contract for which Variation Margin shall be paid or received pursuant to these Business Rules;

(36)-3 “Mark-to-Market Difference” shall collectively refer to the Cash listed in the following items:

- a. Cash paid or received between JSCC and a Clearing Participant on each JSCC Business Day to settle exposure related to the change in present value prescribed in Article 61-2.1. (1);
- b. Cash paid or received between JSCC and a Clearing Broker on each JSCC Business Day to settle exposure related to the change in present value prescribed in Article 61-2.1. (2); and
- c. Cash paid or received between a Clearing Broker and its Customer on each JSCC Business Day to settle exposure related to the change in present value prescribed in Article 61-2.1. (3);

(36)-4 “Mark-to-Market Difference And Adjustment Amount” collectively means the Mark-to-Market Difference, and Adjustment Amount related to Mark-to-Market Difference;

(36)-5 “Adjustment Amount related to Mark-to-Market Difference” means Cash as set forth in Article 83.2.1;

(37) “Resources for Loss Recovery” means the Fixed Resources for Loss Recovery and the Liquid Resources for Loss Recovery to be used in accordance with the Rules to recover the losses which JSCC may incur upon the Default of any Clearing Participant.

- (38) “First Tier IRS Settlement Guarantee Reserve” means an amount set aside by JSCC in accordance with the Subordinate Rules<sup>9</sup> for the purpose of covering losses arising from the Default of a Clearing Participant;
- (39) “Second Tier IRS Settlement Guarantee Reserve” means an amount set aside by JSCC in accordance with the Subordinate Rules<sup>10</sup> for the purpose of covering losses arising from the Default of a Clearing Participant;
- (40) “Second Tier Clearing Participant Cap” means the Required IRS Clearing Fund contribution of each Clearing Participant as of the JSCC Business Day immediately preceding the start date of the Default Settlement Period in which the Default Determination Date in respect of the Defaulting Clearing Participant set forth in Article 103.1 falls.
- (41) “Third Tier Special Clearing Charge” means Japanese yen Cash paid by a Clearing Participant to JSCC in accordance with the provisions of Article 105;
- (42) “Third Tier Special Clearing Charge Collateral” means Japanese yen Cash deposited by a Clearing Participant with JSCC for the purpose described in Article 107.1.(1);
- (43) “Fourth Tier Special Clearing Charge” means Cash paid by a Clearing Participant to JSCC in accordance with the provisions of Article 106;
- (44) “Fourth Tier Special Clearing Charge Collateral” means Cash deposited by a Clearing Participant with JSCC for the purpose described in Article 107.1.(2);
- (45) “Eligible Securities Collateral” mean the securities specified by JSCC<sup>11</sup> that may be deposited as the IRS Clearing Fund, Initial Margin, Customer Initial Margin or Default Contingent Margin;

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<sup>9</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 3.

<sup>10</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 4.

<sup>11</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 8.

- (45)-2 “Position” means “Position” as defined in Article 45-2.2 of the Securities and Similar Contracts Business Rules;
- (46) “Other Clearing Business” means the Clearing Service and businesses incidental thereto carried out by JSCC excluding the IRS Clearing Businesses;
- (47) “Eligible IRS Transaction” means an IRS Transaction between Clearing Participants which satisfies the requirements prescribed by JSCC<sup>12</sup>;
- (48) (Deleted)
- (49) “JSCC Business Day” means any day other than a Business Holiday<sup>13</sup>;
- (50) “Initial Margin” means Japanese yen Cash or Eligible Securities Collateral deposited with JSCC by a Clearing Participant or a Customer for the purpose of securing the obligations prescribed in Article 61.1.(1);
- (51) “Special Clearing Charge” collectively refers to the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge;
- (52) “Special Clearing Charge Collateral” collectively refers to the Third Tier Special Clearing Charge Collateral and the Fourth Tier Special Clearing Charge Collateral;
- (52)-2 “Per Trade Compression” means a process of conducting Compression through a method prescribed by JSCC in accordance with the provisions of Article 53;
- (53) “Transaction Side” means a distinction of a leg under an IRS Transaction set forth in a. or b. below in accordance with the classification of IRS Transactions set forth in each such item:

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<sup>12</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 9.

<sup>13</sup> *cf.* IRS Clearing Business Rules, Article 5.

- a. IRS Transaction in which both parties are obliged to pay Floating Rates: distinction of each side under such IRS transaction in which both parties are obliged to pay Floating Rates pursuant to Confirmation or the Rules, or
- b. IRS Transaction other than the above: distinction between Floating Rate Payer or Fixed Rate Payer

(54) “Intraday Margin” means Initial Margin to be deposited pursuant to Article 67 through Article 70 hereof.

(54)-2 “Available Customer Buffer Amount at Intraday Margin Calculation” means an amount of the Customer Buffer made available for an allocation to the relevant Customer Account at the time of calculation of the Required Intraday Margin for the Customer set forth in Article 69.1, which is equal to the amount obtained by subtracting the amount of the Customer Buffer already allocated to the relevant Customer Account as of the time of the Intraday Margin calculation from the Customer Buffer Cap, or, if such amount is more than the Customer Buffer Unallocated Balance, the amount of such Customer Buffer Unallocated Balance;

(54)-2-2 “New York Business Day” means any day on which banks are open for business in New York City, U.S.A. and fund settlement in United States dollars is performed:

(54)-3 (Deleted)

(54)-4 “Non-hedge Account” means a classification of Customer Account designated as non-hedge account pursuant to the provisions of Article 59.7.

(55) “Default Contingent Margin” means Japanese yen Cash or Eligible Securities Collateral to be deposited with JSCC by a Clearing Participant for the purpose of securing the obligations set forth in Article 108.1 hereof.

(56) “Default Settlement Period” means a period of 30 days from the Default Determination Date with respect to the Default of such Clearing Participant, except in the case where another Default is determined during an existing Default Settlement Period, in which

case, the Default Settlement Period shall be extended to the day 30 days after the Default Determination Date for such subsequently occurred Default;

- (57) “Default Auction” means the Default Auction prescribed in Article 95;
- (58) “Defaulting Clearing Participant” means a Clearing Participant determined by JSCC to be in Default, and when Defaulting Clearing Participant is acting for a Customer, it may also be referred to as “Defaulting Clearing Broker”;
- (59) “Default” means any of the following events and actions:
- a. Become, or be likely to become, unable to pay (as prescribed in Article 2.11 of the Bankruptcy Act (Act No. 75 of 2004)) or to become insolvent with excess liabilities (as prescribed in Article 16.1 of the Bankruptcy Act);
  - b. Become subject to suspension of transactions by a clearinghouse or an Electronic Monetary Claim Recording Institution defined in Article 2.2 of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007);
  - c. Suspend its payment (meaning suspension of payment by which insolvency is presumed pursuant to the provisions of Article 15.2 of the Bankruptcy Act) or occurrence of similar events;
  - d. Dissolve itself (excluding dissolution due to a merger);
  - e. Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings or commencement of special liquidation or acknowledgement of foreign insolvency proceedings is filed (including the petitions equivalent thereto under any foreign laws and regulations);
  - f. An event which causes commencement of bankruptcy proceedings, rehabilitation proceedings, reorganisation proceedings or special liquidation (including that equivalent thereto under any foreign laws and regulations) has occurred; or

- g. Only with respect to Clearing Participants whose Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are recorded on their Clearing Participant Accounts (other than those which also are JGB Futures Clearing Participants), an acceleration of obligations under an Agreement for Setting up Futures/Options Trading Account prescribed by the Designated Market Operator for brokerage of JGB Futures Contracts or under a Contract for Commissioning Clearance Relating to JGB Futures, Etc. Contracts concluded for brokerage of Clearing pursuant to the provisions of Article 39 of the Securities and Similar Contracts Business Rules;
- (60) “Default Determination Date” means the day on which JSCC determines the Default of a Clearing Participant;
- (60)-2 “Backup Clearing Broker” means a Clearing Broker (limited to the one who has obtained an approval set forth in Article 12-2) who has been designated by a Customer in advance in accordance with the provisions of Article 45-2 as a Clearing Broker to succeed to the claims and obligations related to the Cleared Contracts (Customer Account) and the Customer Clearing Contracts executed on the account of the relevant Customer when a Default is acknowledged with respect to the Clearing Broker who then is providing the Customer Clearing to the relevant Customer.
- (61) (Deleted)
- (62) “Non-resident” means a non-resident prescribed in Article 6.1.(6) of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949);
- (62)-2 “USD Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in United States dollars;
- (62)-3 “Hedge Account” means a classification of Customer Account notified as hedge account pursuant to the provisions of Article 59.7.
- (63) “Variation Margin” shall collectively refer to the Cash listed in the following items:

- a. The Cash received and paid between a Clearing Participant and JSCC on each JSCC Business Day for the purpose of securing the obligations listed in Article 61.1.(3);
  - b. The Cash received and paid between a Clearing Broker and JSCC on each JSCC Business Day for the purpose of securing the obligations listed in Article 61.1.(4); and
  - c. The Cash received and paid between a Clearing Broker and a Customer on each JSCC Business Day for the purpose of securing the obligations listed in Article 61.1.(5).
- (63)-2 “Cash Settlement Amount” means Variation Margin, interest on Variation Margin, amount to be settled and other Cash to be paid or received under Cleared Contracts.
- (64) “Legal Entity” means a corporate body, an association or any other entities equivalent thereto (including overseas entities equivalent thereto);
- (65) “Rules” shall collectively refer to the Business Rules, the Subordinate Rules and Documents Setting Forth Handling of ISDA-Based Documents;
- (66) “Liquid Resources for Loss Recovery” means the Third Tier Special Clearing Charge and the Fourth Tier Special Clearing Charge.
- (67) “Consolidated Capital-to-Risk Ratio” means the consolidated capital-to-risk ratio set forth in the Article 2 of “Establishment of Criteria for Judgment on the Adequacy of Equity Capital of a Special Financial Instruments Business Operator and its Subsidiary Entities in Light of Assets, etc. Held by Such Special Financial Instruments Business Operator and its Subsidiary Entities”(Financial Services Agency Public Notice No. 128 of 2010);
- (68) “Officer” means an officer prescribed in Article 329 of the Company Act (Act No.86 of 2005) (in respect of a Legal Entity other than a limited company<sup>14</sup>, a person who is treated as equivalent to an officer of a limited company under the applicable laws and regulations);

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<sup>14</sup> Kabushiki Kaisha under the Company Act.



- (68)-2 “EUR Cleared Contract” means a Cleared Contract whose Notional Amount and settlement currency are denominated in Euro.
- (69) “ISDA” means International Swaps and Derivatives Association, Inc.;
- (70) “Documents Setting Forth Handling of ISDA-Based Documents” mean the documents prescribed by JSCC by notification to Clearing Participants or public notice in connection with the matters necessary to apply the ISDA Master Agreement and the ISDA Definitions to a Cleared Contract and any other matters in accordance with the provisions of the Subordinate Rules<sup>15</sup>;
- (71) “ISDA Master Agreement” means the 2002 ISDA Master Agreement published by ISDA in 2003 (including any changes, amendments or supplements in writing published by ISDA and specified by JSCC) which shall be applied to Cleared Contracts;
- (72) “ISDA Definitions” means the 2021 ISDA Interest Rate Derivatives Definitions published by ISDA in 2021 (including any changes, amendments or supplements published by ISDA and specified by JSCC<sup>16</sup>);
- (72)-2 “JSCC-Initiated Compression” means a process to conduct Compression of a package of Cleared Contracts related to two or more Clearing Participants or Customers as prescribed by JSCC in accordance with the provisions of Article 53-2-4;
- (73) “TARGET Settlement Day” means any day on which Trans-European Automated Real-Time Gross Settlement Express Transfer System, a Euro fund settlement system, is in operation and a fund settlement in Euro is performed.

2 The terms listed in the “Term” column in the table attached hereto as the Annex among the terms used in the Rules, shall refer to the corresponding terms listed in the “ISDA Definitions” column as defined in the relevant section of the “ISDA Definitions” stated in the “Section” column.

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<sup>15</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 10.

<sup>16</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 11.

3 If there is a discrepancy between the meaning of any term used in the Financial Instruments and Exchange Act or the ISDA Definitions and the Rules, the meaning in the Rules shall prevail.

#### Article 29-2. Limiting Risk by Account

1 In the event that the Required Initial Margin for the Proprietary Account or a Customer Account of a Clearing Participant exceeds 50% of the Net Capital of said Clearing Participant, JSCC may increase the Required Initial Margin for said Clearing Participant in the manner separately prescribed by JSCC<sup>17</sup>.

In this Article 29-2 and Article 29-3 below, if the Clearing Participant is subject to a Parental Guarantee, "Net Capital" shall mean the Net Capital of its Parent Company providing the Parental Guarantee, and if its Parent Company is neither a Financial Instruments Business Operator nor a Registered Financial Institution, shall be an equivalent appropriate to that type of Parent Company.

2 In the event that the Required Initial Margin for the Proprietary Account or a Customer Account of a Clearing Participant exceeds 100% of the Net Capital of said Clearing Participant, JSCC may, following consultation with the Clearing Participant, suspend Clearing of additional Clearing Contracts for that account entirely or in part, and, subject to a resolution of the board of directors of JSCC, may instruct said Clearing Participant to take actions to manage the risk of the account.

3 The Clearing Participant in receipt of the instruction as set forth in Paragraph 2 shall improve its capital adequacy ratio or take such other measures which may include those relating to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts and requesting that a Customer take necessary measures, in order to manage risks of the cleared positions in the account, on or before the deadline date set by JSCC for each occurrence.

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<sup>17</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 23-2.

4 In addition to the matters prescribed in these Business Rules, any matter that becomes necessary in connection with the instructions to manage risk shall be set by JSCC.

#### Article 30. Instruction to Manage Risk

1 In the event and to the extent that JSCC deems it necessary due to concerns that a Clearing Participant may not be able to meet its obligations to JSCC, JSCC, following consultation with the Clearing Participant, may suspend Clearing for the Clearing Participant entirely or in part, or, subject to a resolution of the board of directors of JSCC, may instruct such Clearing Participant to manage the risk of its positions.

2 The Clearing Participant in receipt of the instruction set forth in Paragraph 1 shall take necessary measures, which may include those related to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts, in order to manage risks of its Cleared Contracts on or before the deadline date set by JSCC on each occurrence.

3 In addition to the matters prescribed in these Business Rules, any matter that becomes necessary in connection with the instructions to manage risk shall be set by JSCC.

#### Article 31. Actions that may be taken in respect of Eligible Securities Collateral

If JSCC deems it necessary in order to ensure a Clearing Participant's continued performance of its obligations with respect to its Cleared Contracts or Clearing Brokerage Contracts and obligations arising in connection with the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts related to such Clearing Participant upon JSCC's determination of the Clearing Participant Default, taking into consideration the creditworthiness of a Clearing Participant, and to the extent necessary, JSCC may increase the haircut applied to the valuation of Eligible Securities Collateral.

#### Article 32. Increasing Clearing Participant Required Initial Margin Due to its Creditworthiness

1 When JSCC considers that a Clearing Participant meets any of the below listed criteria, JSCC may increase the Required Initial Margin for the Clearing Participant's Proprietary Cleared Contracts in the manner prescribed by JSCC<sup>18</sup>:

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<sup>18</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.1.

- (1) Where the Clearing Participant does not have a Parental Guarantee:
- a. If the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio, or in the case of a Special Operator, its Capital-to-Risk Ratio and Consolidated Capital-to-Risk Ratio (the same shall apply in this Article), falls below the level separately set by JSCC<sup>19</sup> and its creditworthiness has deteriorated in the manner specified by JSCC<sup>20</sup>;
  - b. If the Clearing Participant is a Registered Financial Institution other than an insurance company, when its non-consolidated or consolidated capital adequacy ratio falls below the level set by JSCC<sup>21</sup>, and its creditworthiness has deteriorated in the manner specified by JSCC<sup>22</sup>;
  - c. If the Clearing Participant is an insurance company which is a Registered Financial Institution, when its non-consolidated or consolidated solvency margin ratio falls below the level set by JSCC<sup>23</sup>, and its creditworthiness has deteriorated in the manner specified by JSCC<sup>24</sup>; and
  - d. When the Clearing Participant's creditworthiness is judged inadequate based on criteria set by JSCC in a notification or a public notice<sup>25</sup>.
- (2) Where the Clearing Participant has a Parental Guarantee:

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<sup>19</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.2.

<sup>20</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.2.

<sup>21</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.3.

<sup>22</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.3.

<sup>23</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.4.

<sup>24</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.4.

<sup>25</sup> Deterioration of creditworthiness will be judged based on criteria set by JSCC in a notification or a public notice. It is available at; <http://www.jsc.co.jp/en/data/en/2013/08/1Guidelines-Concerning-Credit-Standing-of-Clearing-Participants-etc.-in-IRS-Clearing-Business1.pdf>

- a. If the Clearing Participant is a Financial Instruments Business Operator, when its Capital-to-Risk Ratio falls below the level set by JSCC<sup>26</sup>, and its Parent Company is subject to an event specified by JSCC<sup>27</sup>, and the creditworthiness of its Parent Company deteriorates in the manner specified by JSCC<sup>28</sup>;
- b. If the Clearing Participant is a Registered Financial Institution other than an insurance company, when its non-consolidated or consolidated capital adequacy ratio falls below the level set by JSCC<sup>29</sup>, and its Parent Company is subject to an event specified by JSCC<sup>30</sup>, and the creditworthiness of its Parent Company deteriorates in the manner specified by JSCC<sup>31</sup>;
- c. If the Clearing Participant is an insurance company which is a Registered Financial Institution, when its non-consolidated or consolidated Solvency Margin Ratio falls below the level set by JSCC<sup>32</sup>, and its Parent Company is subject to an event specified by JSCC<sup>33</sup>, and the creditworthiness of its Parent Company deteriorates in the manner specified by JSCC<sup>34</sup>; and
- d. When the Parent Company's creditworthiness is judged inadequate based on criteria set by JSCC in a notification or a public notice<sup>35</sup>.

2 The Required Initial Margin arising from Customer's Cleared Contracts shall also be subject to the increase set forth in Paragraph 1; provided that the Required Initial Margin arising from Customer's Cleared Contracts will not be raised for a Customer that has designated one or

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<sup>26</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.5.

<sup>27</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.8.

<sup>28</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.5.

<sup>29</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.6.

<sup>30</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.8.

<sup>31</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.6.

<sup>32</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.7.

<sup>33</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.8.

<sup>34</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 24.7.

<sup>35</sup> Deterioration of creditworthiness will be judged based on criteria set by JSCC in a notification or a public notice. It is available at; <http://www.jsc.co.jp/en/data/en/2013/08/1Guidelines-Concerning-Credit-Standing-of-Clearing-Participants-etc.-in-IRS-Clearing-Business1.pdf>

more Backup Clearing Broker (or, if the Customer also is a Cross Margining User, for a Customer that has designated a Backup Clearing Broker and a ListedJGB Futures Backup Clearing Broker). However, if the Required Initial Margin applicable to such Backup Clearing Broker, or all of the Customer's Backup Clearing Brokers when the Customer has designated multiple Backup Clearing Brokers, is raised pursuant to the provisions set forth in Paragraph 1, the Required Initial Margin arising from such Customer's Cleared Contracts shall be subject to increase set forth in Paragraph 1.

Article 45-3. Designation of ListedJGB Futures Backup Clearing Broker

1 A Cross Margining User falling under Article 2.1.(13)-~~98~~.b. to d. may designate in advance another JGB Futures Clearing Participant as its ListedJGB Futures Backup Clearing Broker to smoothly effect ListedJGB Futures Position Transfer in respect of claims and obligations related to JGB Futures Cleared Contracts and the like and claims and obligations related to Interest Rate Futures Cleared Contracts and the like to one or more JGB Futures Clearing Participants when claims and obligations come into existence pursuant to the provisions of Article 84-5.1.

2 When a designation is intended as set forth in Paragraph 1 (hereinafter refer to as "Designation of a ListedJGB Futures Backup Clearing Broker"), a Cross Margining User (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts or the Interest Rate Futures Contracts of the Cross Margining User are traded through brokerage of the JGB Futures Non-Clearing Participant; the same applies in Paragraphs 4 to 6 below), and a JGB Futures Clearing Participant intending to accept such designation shall agree in advance that the potential ListedJGB Futures Backup Clearing Broker accepts the ListedJGB Futures Position Transfer in respect of all or a part of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like pursuant to the provisions of Article 94-3, when the claims and obligations come into existence pursuant to the provisions of Article 84-5.1.

3 The Cross Margining User who makes the designation of ListedJGB Futures Backup Clearing Broker set forth in Paragraph 1 shall notify such designation to JSCC through the Cross Margining Accepting Party by submitting the notification form prescribed by JSCC in the manner prescribed by JSCC, together with such documents as JSCC deems necessary.

4 A ListedJGB Futures Backup Clearing Broker shall report to JSCC, through the Cross Margining Accepting Party, for the details of the agreement regarding ListedJGB Futures Position Transfer reached with the Cross Margining User in the manner prescribed by JSCC<sup>36</sup>.

5 When a ListedJGB Futures Backup Clearing Broker has been designated pursuant to the provisions of Paragraph 1, the Cross Margining User and the ListedJGB Futures Backup Clearing Broker shall make efforts to put in place a structure, in the manner separately prescribed by JSCC<sup>37</sup>, that will enable ListedJGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like pursuant to the agreement between the Cross Margining User and the ListedJGB Futures Backup Clearing Broker, in the event that the claims and obligations come into existence pursuant to the provisions of Article 84-5.1.

6 A ListedJGB Futures Backup Clearing Broker no longer wishing to be a designated ListedJGB Futures Backup Clearing Broker shall reach an agreement with the Cross Margining User who designated it as ListedJGB Futures-Backup Clearing Broker, and submit the request form prescribed by JSCC to JSCC through the Cross Margining Accepting Party.

#### Article 49. Execution of Cleared Contracts through Clearing

1 When JSCC receives a request set forth in Article 48.1 from both parties to an Eligible IRS Transaction, JSCC ~~shall~~ confirms that the request and such Eligible IRS Transaction satisfy the requirements separately prescribed by JSCC<sup>38</sup> and that the relevant Clearing Participants have deposited with or delivered to JSCC the margin calculated according to the method separately prescribed by JSCC<sup>39</sup> (“Margin Required to Clear”) in the manner separately prescribed by JSCC<sup>40</sup> (“Clearing Requirements”). Upon JSCC’s confirmation of satisfaction of Clearing Requirements, an IRS Transaction between the Clearing Participant

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<sup>36</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 26-3.1.

<sup>37</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 26-3.2.

<sup>38</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 28.1.

<sup>39</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 28.4, as well as Appendix 2.

<sup>40</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 28.2.

who was a party to such an Eligible IRS Transaction (referred to as the “First Clearing Participant” in this Article) and JSCC, in which JSCC assumes the same Transaction Side as that of the counterparty to the First Clearing Participant (referred to as the “Second Clearing Participant” in this Article) under such Eligible IRS Transaction, and another IRS Transaction between the Second Clearing Participant and JSCC, in which JSCC assumes the same Transaction Side as that of the First Clearing Participant under the Eligible IRS Transaction, shall come into effect at the time prescribed by JSCC<sup>41</sup>. However, even in the case where an amount sufficient to cover the Margin Required to Clear has not been deposited with or delivered to JSCC, if the criteria listed below are satisfied at the time of JSCC’s receipt of the request for Clearing set forth in Article 48.1, the IRS Transactions set forth in this paragraph shall come into effect:

(1) Notional Amount of the Eligible IRS Transactions subject to such request is less than the amount prescribed by JSCC<sup>42</sup>:

(2) The criteria set forth in a. or b., as applicable, are met according to the classification listed in a. or b. below:

a. Proprietary Account subject to such request

Shortfall in Margin Required to Clear related to the Proprietary Account of the Clearing Participant submitted such request is not more than the cap prescribed by JSCC<sup>43</sup> (or, when an allocation set forth in b. below is made, the amount remaining after deducting such allocated amount) (hereinafter referred to as “Cap on Acceptable Shortfall in Margin Required to Clear”):

b. Customer Account subject to such request

When a Clearing Broker makes an allocation of the Cap on Acceptable Shortfall in Margin Required to Clear for its Proprietary Account to the Customer Account subject to such request, the Shortfall in Margin Required to Clear related to the relevant Customer Account, or, when the Customer Buffer is available for allocation to the relevant Customer Account pursuant to the provisions of Article 83-7.1, the Shortfall in Margin Required to Clear after receiving such allocation, is not more than the allocated cap. In the preceding sentence, an allocation means a conduct of allocating a part of the Cap on Acceptable Shortfall in Margin Required to Clear related to the

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<sup>41</sup> cf. Handling Procedures of IRS Clearing Business, Article 28.3.

<sup>42</sup> cf. Handling Procedures of IRS Clearing Business, Article 28.1.5.

<sup>43</sup> cf. Handling Procedures of IRS Clearing Business, Article 28.1.6.



Proprietary Account of the Clearing Broker to the relevant Customer Account by Clearing Broker giving notice to JSCC in a manner prescribed by JSCC<sup>44</sup>;

- (3) Initial Margin Deposited Amount of the Clearing Participant or the Customer is at least equal to the Required Initial Margin on the JSCC Business Day immediately preceding the date of submission of such request with respect to the Proprietary Account of the Clearing Participant or the relevant Customer Account, or the Required Intraday Margin on the date of submission of such request;
- (4) The Clearing Participant submitted such request is not subject to the measures of increasing Required Initial Margin due to its creditworthiness as set forth in Article 32.1.

2 When Cleared Contracts come into effect pursuant to the provisions of Paragraph 1, JSCC shall promptly notify the Clearing Participants who are the parties to such Cleared Contracts to that effect in the manner as separately prescribed by JSCC<sup>45</sup>.

3 If, at the time of receipt by JSCC of a request for Clearing, JSCC cannot confirm that both sides of the Clearing Participants who requested Clearings have deposited with or delivered to JSCC the Margin Required to Clear as set forth in Paragraph 1, JSCC will promptly reject the Eligible IRS Transaction, and will promptly notify the relevant Clearing Participants to such effect in the manner separately prescribed by JSCC<sup>46</sup> , unless the criteria set forth in the proviso of Paragraph 1 are satisfied.

4 Notwithstanding Article 48.1, if JSCC deems it necessary to protect the continued operation of the IRS Clearing Business, including when it determines the Default of a Clearing Participant, JSCC may temporarily change the time during which it will receive requests for Clearing. In such a case, JSCC shall notify the Clearing Participants of the below listed matters in advance.

- (1) That JSCC has temporarily changed the time during which it will receive requests for Clearing pursuant to the provisions of this paragraph; and

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<sup>44</sup> cf. Handling Procedures of IRS Clearing Business, Article 28.1.7.

<sup>45</sup> cf. Handling Procedures of IRS Clearing Business, Article 28.5.

<sup>46</sup> cf. Handling Procedures of IRS Clearing Business, Article 28.5.

(2) The new time.

5 Once the Cleared Contracts come into effect pursuant to the provisions of Paragraph 1, the Clearing Participant may not assert any right against JSCC in respect of the Eligible IRS Transaction prescribed in Paragraph 1 or the Clearing Brokerage Original Transaction, or claims and obligations thereunder, even if there are any grounds entitling it to assert such right against another Clearing Participant or a Customer who was the counterparty thereto, including but not limited to the existence of the relevant Eligible IRS Transaction, defects in expressing its intention or failure to express its intention.

6 When Cleared Contracts come into effect pursuant to the provisions in Paragraph 1, such Cleared Contracts shall come into effect as Cleared Contracts (Collateral Type).

#### Article 59. Clearing Participant Account

1 To manage Initial Margin, Variation Margin and Mark-to-Market Difference, in respect of each Cleared Contract to which each Clearing Participant is a party and other Funds to be paid or received in respect of such Cleared Contract between JSCC and each Clearing Participant in accordance with the Rules, JSCC shall set up an account for each Clearing Participant ("Clearing Participant Account") on which each of such Cleared Contract and Positions in JGB Futures Contracts and Interest Rate Futures Contracts covered by Cross Margining are recorded.

2 A Clearing Participant Account shall be divided into the account to record the Cleared Contracts on a Clearing Participant's proprietary book and Positions in JGB Futures Contracts and Interest Rate Futures Contracts on the Clearing Participant's book covered by Cross Margining ("Proprietary Account") and the accounts to record, by each Clearing Brokerage Agreement, the Cleared Contracts on Customers' book and Positions in JGB Futures Contracts and Interest Rate Futures Contracts on the Customer's book covered by Cross Margining ("Customer Accounts"). For this purpose, JSCC may not use one Customer Account for multiple Customers or for multiple Clearing Brokerage Agreements of one Customer.

3 JSCC may divide the Proprietary Account set up for a Clearing Participant into multiple accounts when requested by such Clearing Participant.

4 A Clearing Participant shall, if it opens multiple accounts which divide a Clearing Brokerage Account pursuant to the provisions of Article 60.2, request that JSCC divide a Customer Account in the same manner, and JSCC shall set up multiple accounts to divide the Customer Account based on such request.

5 For multiple accounts which are set for the Proprietary Account or Customer Accounts in accordance with Paragraphs 3 and 4 (“Sub-Accounts”), JSCC shall book Cleared Contracts and Positions in JGB Futures Contracts and Interest Rate Futures Contracts covered by Cross Margining to the relevant Sub-Account according to the designations made by the relevant Clearing Participant.

6 The claims and obligations between JSCC and a Clearing Participant and the claims and obligations between JSCC and a Customer in relation to each Cleared Contract, Positions in JGB Futures Contracts and Interest Rate Futures Contracts covered by Cross Margining, ~~and~~ Initial Margin, Variation Margin and Mark-to-Market Difference related thereto shall arise separately for the Proprietary Account and each of the Customer Accounts.

7 A Clearing Participant shall request that its Customer notify whether its Customer Account is Hedge Account or Non-hedge Account, in the manner as separately prescribed by JSCC<sup>47</sup>, and shall notify JSCC thereof. A Customer shall also give notice to the Clearing Participant when it changes the types of its Customer Account.

#### Article 60. Clearing Brokerage Account

1 A Clearing Broker shall set up an account for each Clearing Brokerage Agreement executed with a Customer (“Clearing Brokerage Account”) to manage the details of Clearing Brokerage Contracts under each Clearing Brokerage Agreement, Positions in JGB Futures Contracts and Interest Rate Futures Contracts on the Customer’s book covered by Cross Margining, Initial Margins, Customer Initial Margins, Variation Margins and Mark-to-Market Differences related to such Clearing Brokerage Contracts and other Funds to be paid or received between the Clearing Broker and the Customer in accordance with each of such Clearing Brokerage Agreements and the Rules.

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<sup>47</sup> cf. Handling Procedures of IRS Clearing Business, Article 35-5.

2 Upon request of a Customer, a Clearing Broker may set up multiple accounts dividing the Clearing Brokerage Account for the Customer.

3 The claims and obligations between a Clearing Broker and a Customer in relation to each Clearing Brokerage Contract, Positions in JGB Futures Contracts and Interest Rate Futures Contracts on the Customer's book covered by Cross Margining, ~~and~~ Initial Margin, Variation Margin and Mark-to-Market Difference related thereto shall arise separately for each of the Clearing Brokerage Accounts.

#### Article 61. Purpose of Margin

1 Margin shall be paid or received among JSCC, a Clearing Participant and a Customer pursuant to the Rules and the Clearing Brokerage Agreement to secure performance of below listed obligations (referred to as "Obligations to be Collateralized—" in Paragraph 2 below) according to the classification of Margin listed below:

(1) Initial Margin:

Obligations that a Clearing Participant owes to JSCC in relation to Cleared Contracts, including the obligation arising out of termination of such Cleared Contracts, and obligations that a Clearing Participant owes to JSCC in relation to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on the Clearing Participant Account, and obligations that a Customer owes to a Clearing Broker in relation to Clearing Brokerage Contracts, including the obligation arising out of termination of such Cleared Contracts, and obligations that a Customer owes to a Clearing Broker in relation to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on the Customer Account established for the relevant Customer;

(2) Customer Initial Margin:

The obligations that a Customer owes to a Clearing Broker in relation to a Clearing Brokerage Contract, including the obligation arising out of termination of such Clearing Brokerage Contract, and obligations that a Customer owes to a Clearing Broker in relation to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest

Rate Futures Cleared Contracts recorded on the Customer Account established for the relevant Customer;

(3) Variation Margin paid or received between JSCC and each Clearing Participant in relation to Proprietary Cleared Contracts:

Obligations that a Clearing Participant owes to JSCC in relation to Proprietary Cleared Contracts which are Cleared Contracts (Collateral Type) or obligations that JSCC owes to a Clearing Participant in relation to Proprietary Cleared Contracts which are Cleared Contracts (Collateral Type);

(4) Variation Margin paid or received between JSCC and each Clearing Broker in relation to Customer's Cleared Contracts:

Obligations that a Clearing Broker owes to JSCC in relation to Customer's Cleared Contracts which are Cleared Contracts (Collateral Type) or obligations that JSCC owes to a Clearing Broker in relation to Customer's Cleared Contracts which are Cleared Contracts (Collateral Type);

(5) Variation Margin paid or received between a Clearing Broker and a Customer in relation to a Clearing Brokerage Contracts:

Obligations that a Customer owes to a Clearing Broker in relation to Clearing Brokerage Contracts (Collateral Type) or obligations that a Clearing Broker owes to a Customer in relation to Clearing Brokerage Contracts (Collateral Type).

2 JSCC, a Clearing Participant or a Customer who has received a deposit of Margin may use the Margin remaining after deducting costs required for conversion of Cash into another currency or after the payment of the cost of liquidation of Eligible Securities Collateral to satisfy the Obligations to be Collateralized or to set off the right to claim a return of Margin or the said cash proceeds against the claims related to the Obligations to be Collateralized in the equivalent amounts in accordance with the Rules and the Clearing Brokerage Agreement.

3 Unless otherwise specified in the Rules, deposit of Margin shall constitute a deposit for consumption (*shohi kitaku*) for collateral purpose in the case of Margin in the form of Cash; and a loan for consumption (*shohi taishaku*) free of charge for collateral purpose in the case of Margin in the form of Eligible Securities Collateral.

Article 63. Obligation to Deposit Initial Margin

A Clearing Participant and a Customer shall be required to deposit Initial Margin with JSCC pursuant to the provisions of each item below according to the classification of the Cleared Contracts listed in each such item. For the purpose of this Article and Articles 64 to 66, the reference to Initial Margin shall exclude Intraday Margin:

(1) Proprietary Cleared Contract

A Clearing Participant shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Initial Margin in relation to a Proprietary Cleared Contract as Initial Margin.

(2) Customer's Cleared Contract

a. A Customer shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Initial Margin in relation to the Customer's Cleared Contracts for such Customer as Initial Margin. If the Clearing Broker and the Customer separately agree otherwise, the amount to be deposited shall be the amount calculated based on such agreement or the Required Initial Margin, whichever is larger (the same rule shall apply hereinafter).

b. Deposit of Initial Margin by a Customer with JSCC pursuant to a. above shall be made through a Clearing Broker prescribed in a. above acting as its agent in accordance with the provisions of Article 72.

c. When a Customer deposits the Customer Initial Margin with a Clearing Broker in accordance with Article 73, the amount of such Customer Initial Margin shall be deducted from the Required Initial Margin to be deposited with JSCC by such Customer. In such case, the Clearing Broker shall deposit with JSCC, as Substituted Initial Margin, Cash or Eligible Securities Collateral in an amount not less than the Customer Initial Margin deposited by the Customer with such Clearing Broker.

d. When a Customer Buffer is allocated to a Customer Account pursuant to the

provisions of Articles 84-7.1 and 84-7.2, the amount so allocated shall be deducted from the Required Initial Margin to be deposited by the Customer with JSCC.

Article 67. Obligation to Deposit Intraday Margin

A Clearing Participant and a Customer shall be required to deposit Intraday Margin with JSCC pursuant to the provisions of each item below according to the classification of the Cleared Contracts listed in each such item:

(1) Proprietary Cleared Contract

A Clearing Participant shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Intraday Margin in relation to a Proprietary Cleared Contract as Initial Margin.

(2) Customer's Cleared Contract

a. A Customer shall deposit with JSCC Cash or Eligible Securities Collateral in an amount not less than the Required Intraday Margin in relation to a Customer's Cleared Contract for such Customer as Initial Margin. If the Clearing Broker and the Customer separately agree otherwise, the amount to be deposited shall be the amount calculated based on such agreement or the Required Intraday Margin, whichever is larger (the same rule shall apply hereinafter).

b. Deposit of Intraday Margin by a Customer with JSCC pursuant to a. above shall be made through a Clearing Broker prescribed in a. above acting as its agent in accordance with the provisions of Article 72.

c. When a Customer deposits the Customer Initial Margin with a Clearing Broker in accordance with Article 73, the amount of such Customer Initial Margin shall be deducted from the Required Intraday Margin to be deposited with JSCC by such Customer. In such case, the Clearing Broker shall deposit with JSCC, as Substituted Initial Margin, Cash or Eligible Securities Collateral in an amount not less than the Customer Initial Margin deposited by the Customer with the Clearing Broker.

- d. When a Customer Buffer is allocated to a Customer Account pursuant to the provisions of Articles 84-7.1 and 84-7.2, the amount so allocated shall be deducted from the Required Intraday Margin to be deposited by the Customer with JSCC.

#### Article 76. Right to Claim Return of Initial Margin

1 A Clearing Participant and a Customer shall respectively have the right to claim the return of specified categories of Initial Margin from JSCC as described in the items below:

(1) Initial Margin for Customer's Cleared Contracts

- a. For Initial Margin deposited with JSCC by a Customer and Substituted Initial Margin deposited with JSCC by a Clearing Participant as broker for the Customer, the Customer shall have the right to request the return of Initial Margin in an amount equivalent to the sum of (i) Initial Margin and (ii) Customer Initial Margin less (iii) the outstanding obligation of the Customer owed to its Clearing Broker in respect of that Customer's Clearing Brokerage Contracts (including any outstanding obligation arising as a result of the termination of that Customer's Clearing Brokerage Contracts) and (iv) the outstanding obligation of the Customer owed to its Clearing Broker in respect of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts recorded on the Customer Account established for such Customer (including any outstanding obligation arising as a result of the termination of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts). The amount of Customer Initial Margin above shall be limited to the amount of Substituted Initial Margin deposited with JSCC by the Clearing Broker

Notwithstanding the foregoing, in case the amount calculated above as Customer's claim exceeds the sum of Initial Margin and Substituted Initial Margin less the outstanding obligation of the Clearing Broker owed to JSCC



in respect of the Customer's Cleared Contracts (including any outstanding obligation arising in association with liquidation of the Customer's Cleared Contracts as a result of the Default of the Clearing Broker, but excluding obligation owed pursuant to the provision of Article 99-2.2) and the outstanding obligation of the Clearing Broker owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts recorded on the Customer Account established for such Customer, the Customer's claim shall not cover such excess amount.; and

- b. For Initial Margin and Substituted Initial Margin deposited with JSCC as broker for a Customer, their Clearing Broker may request the return of an amount equivalent to the sum of Initial Margin and Substituted Initial Margin less the total of b-1, -b-2 and b-3 below;

b-1 : outstanding obligation of such Clearing Broker owed to JSCC in respect of the Customer's Cleared Contracts

b-2: outstanding obligation of the Clearing Broker owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts recorded on the Customer Account established for the Customer

b-3 : the amount of Initial Margin which said Customer shall have the right to reclaim under a. above.

(2) Initial Margin for Proprietary Cleared Contracts

A Clearing Participant shall have the right to request the return of Initial Margin in the amount equivalent to the amount of Initial Margin deposited with JSCC less the amount of outstanding obligation of the Clearing Participant owed to JSCC in respect of the Clearing Participant's Cleared Contracts (including any outstanding obligation arising from the settlement of Cleared Contracts due to Default of said Clearing Participant and other monies owed to JSCC) and the outstanding obligation of the Clearing Participant

owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts recorded on its Proprietary Account.

(3) Customer Buffer

A Clearing Participant shall have the right to request the return of Initial Margin with respect to the Customer Buffer Unallocated Balance; provided, however, that, when an allocated Customer Buffer is released from allocation pursuant to the provisions of Article 84-7.42, a Clearing Participant shall not have the right to request the return with respect to such allocated amount of Customer Buffer until the relevant Customer deposits or delivers sufficient amount to cover shortfall in the Required Initial Margin.

2 If the amount of the right to claim return of Initial Margin prescribed in Paragraph 1 exceeds the Required Initial Margin or the Required Intraday Margin, a Clearing Participant or a Customer may request JSCC to return Initial Margin up to the excess amount.

3 In addition to the case prescribed in Paragraph 2, a Customer may claim the return of Initial Margin as set forth in the Rules<sup>48</sup>.

4 A Customer shall exercise its right to request the return of Initial Margin through its Clearing Broker; provided however, in the event that JSCC has declared the Default of the Clearing Broker, the Customer shall request the return of Initial Margin directly from JSCC.

5 Notwithstanding the provisions of Paragraphs 2 and 3, where a Customer may request the return of Customer Initial Margin from its Clearing Broker, said Customer shall not request the return of Initial Margin which corresponds to the said Customer Initial Margin from JSCC, except where JSCC has declared the Default of such Clearing Broker.

Article 77-2. Cross Margining MtM Difference

1 If claims and obligations come into existence pursuant to the provisions of Article 84-

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<sup>48</sup> cf. Handling Procedures of IRS Clearing Business, Article 37

5.1, JSCC and a Clearing Participant shall settle the Cash equivalent to the difference related to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts respectively set forth in Articles 73-9 and 73-9-2 of the Securities and Similar Contracts Business Rules (“Cross Margining MtM Difference”) on the next JSCC Business Day following the occurrence of such difference.

2 A Clearing Participant who is a payer of the Cross Margining MtM Difference, it must pay such amount by 11:00 a.m. on the next JSCC Business Day following the date of occurrence of Cross Margining MtM Difference.

3 JSCC will pay Cross Margining MtM Difference to the Clearing Participant to receive such amount without delay after 1:30 p.m. on the next JSCC Business Day following the occurrence of such Cross Margining MtM Difference.

#### Article 84-4. Acceptance of Cross Margining

1 Upon receipt of a Cross Margining Request and if such request satisfies conditions prescribed by JSCC<sup>49</sup>, JSCC shall immediately notify the details of such request to the Clearing Participant which is the Cross Margining Accepting Party relevant to such request in the manner prescribed by JSCC<sup>50</sup>.

2 Upon receipt of the notification under Paragraph 1, the Cross Margining Accepting Party shall notify its acceptance or rejection of such request to JSCC by 6:30 p.m. on JSCC Business Day on which it received the said notification in the manner prescribed by JSCC<sup>51</sup>.

3 If the notice of an acceptance arrives at JSCC pursuant to the provisions of Paragraph 2 and such acceptance satisfies the conditions prescribed by JSCC<sup>52</sup>, JSCC shall record the Positions in JGB Futures Contracts and Interest Rate Futures Contracts covered by such notice of acceptance to the Proprietary Account of the Clearing Participant if the Cross Margining User

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<sup>49</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-6.

<sup>50</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-5.

<sup>51</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-5.

<sup>52</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-7.1

made such request is a Clearing Participant, and to the Customer Account established for the relevant Customer if the Cross Margining User made such request is a Customer.

4 JSCC shall delete Positions recorded pursuant to the provisions of Paragraph 3 from the Proprietary Account or Customer Account, as applicable, at the timing prescribed by JSCC<sup>53</sup>.

Article 84-5. Identical Claims and Obligations as Those in Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

1 When the claims and obligations in the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts between a Cross Margining Requestor and JSCC cease to exist pursuant to the provisions of Article 73-15-4.1 of the Securities and Similar Contracts Business Rules, the claims and obligations with the same terms and conditions as the said claims and obligations shall come into existence between the Clearing Participant on whose Clearing Participant Account the Positions ~~in~~ the said Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts are recorded and JSCC in the manner prescribed by JSCC.

2 If the Positions ~~in~~ the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate Futures Cleared Contracts described in Paragraph 1 are recorded on a Customer Account, the legal relationship with the same economic effect as a Clearing Brokerage Contract, which would come into effect if the claims and obligations under Paragraph 1 come into effect through a Clearing Brokerage under Clearing Brokerage Agreement between such Customer and its Clearing Broker, shall arise between the Customer and the Clearing Broker at the same time as such claims and obligations come into existence.

3 When JSCC conducts offsetting sale or offsetting purchase set forth in Article 93-2.1, the claims and obligations which came into effect in accordance with the provisions of Paragraph 1 and the legal relationship which has arisen in accordance with the provisions of Paragraph 2 shall cease to exist and have no future effect as of the time of such offsetting sale or offsetting purchase.

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<sup>53</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-8.

#### Article 84-6. Notification of Customer Buffer Utilization

1 When allowing its Customer to utilize Customer Buffer, a Clearing Broker shall notify JSCC, in advance in a manner prescribed by JSCC<sup>54</sup>, of the Customer Buffer Cap for each Customer Account that are allowed Customer Buffer utilization.

2 When changing the Customer Buffer Cap for its Customer that are allowed Customer Buffer utilization, a Clearing Broker shall notify such change to JSCC in advance in a manner prescribed by JSCC<sup>55</sup>.

3 When intending to allocate the Customer Buffer to a shortfall in Intraday Margin for the Customers it allows utilization of the Customer Buffer, the Clearing Broker shall notify such effect to JSCC in advance in a manner prescribed by JSCC<sup>56</sup>.

4 A Clearing Broker may withdraw its notification given pursuant to Paragraph 3 in a manner prescribed by JSCC<sup>57</sup>.

#### Article 84-7. Utilization of Customer Buffer

1 When a Customer requested a Clearing Broker to act as its Clearing Broker pursuant to the provisions of Article 54 or Article 54-2 and an amount sufficient to cover the Margin Required to Clear has not been deposited with or delivered to JSCC and the amount obtained by subtracting the Available Buffer Upon New Clearing from the Shortfall in Margin Required to Clear is equal to or less than the cap set forth in Article 49.1.(2).b, the amount of Customer Buffer equal to the Shortfall in Margin Required to Clear, or if the Available Buffer Upon New Clearing is less than the Shortfall in Margin Required to Clear, the amount equal to the Available Buffer Upon New Clearing, ~~such shortfall (hereinafter referred to as "Shortfall in Margin Required to Clear" in this Article)~~ shall be automatically allocated to such Customer's Customer Account in a manner prescribed by JSCC<sup>58</sup>, and JSCC shall confirm satisfaction of the Clearing Requirements

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<sup>54</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-10.1

<sup>55</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-10.1

<sup>56</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-10.1

<sup>57</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-10.1

<sup>58</sup> *cf.* Handling Procedures of IRS Clearing Business, Article 42-11.1

based on the deposited amount which includes the Customer Buffer so allocated, unless the Shortfall in Margin Required to Clear is more than the Available Customer Buffer.

2 When an amount sufficient to cover the Required Intraday Margin for a Customer has not been deposited with or delivered to JSCC, and such amount of shortfall (referred to as "Intraday Margin Shortfall" in this Article) is not more than the Available Customer Buffer Amount at Intraday Margin Calculation, the Customer Buffer in the amount equal to the Intraday Margin Shortfall shall be automatically allocated to such Customer's Customer Account in a manner prescribed by JSCC<sup>59</sup>, and shortfall in Intraday Margin is resolved.

3 As to the Customer Buffer allocated to a Customer Account pursuant to the provisions of Paragraphs 1 and 2, when the sum of the Initial Margin Deposited Amount of the Customer and the Customer Buffer allocated to the relevant Customer Account as of the time designated by JSCC<sup>60</sup> is more than the Required Intraday Margin or the amount prescribed by JSCC as the amount equivalent to the Margin Required to Clear<sup>61</sup> not taking into account the allocated Customer Buffer, the allocated Customer Buffer in an amount equal to such excess, or, when the Required Intraday Margin or the amount prescribed by JSCC as the amount equivalent to the Margin Required to Clear for the relevant Customer is less than the Initial Margin Deposited Amount of the relevant Customer, the Customer Buffer in an amount equal to the entire amount of the Customer Buffer allocated to the relevant Customer Account, shall be released from allocation to such Customer Account.

42 The Customer Buffer allocated to a Customer Account pursuant to the provisions of Paragraphs 1 and 2 shall be released from allocation to such Customer Account every JSCC Business Day at the timing prescribed by JSCC<sup>62</sup>.

53 When Customer Buffer allocated to a Customer Account is released pursuant to the provisions of Paragraph 2, notwithstanding the provisions of Paragraph 1, the Customer may not receive an allocation of Customer Buffer to its Customer Account until it deposits or delivers the amount sufficient to cover the shortfall in the Required Initial Margin.

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<sup>59</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-11.2

<sup>60</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-11.3

<sup>61</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-11.4

<sup>62</sup> cf. Handling Procedures of IRS Clearing Business, Article 42-11.52

#### Article 91. Compulsory Termination of Cleared Contracts

1 The Cleared Contracts belonging to a Clearing Participant found to be in Default shall be terminated without further notice on the Default Determination Date.

2 The Early Termination Charge payable due to closing out of the Defaulting Clearing Participant's Cleared Contracts shall be, by each currency type of the Defaulting Clearing Participant's Cleared Contracts, the sum of the costs and losses incurred by JSCC in re-establishing its positions. The method of calculation is specified in the Subordinate Rules<sup>63</sup>.

3 JSCC shall notify the Defaulting Clearing Participant of the Early Termination Charge, as described in Paragraph 2.

4 Upon receipt of notice of the Early Termination Charge, the Defaulting Clearing Participant shall immediately pay such fee to JSCC.

5 Notwithstanding the provisions of Paragraph 1, if Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are booked on the Clearing Participant Account of the Defaulting Clearing Participant, the Defaulting Clearing Participant's Cleared Contracts shall terminate, without further notice from JSCC or the Defaulting Clearing Participant, by, and as of the time of, the claims and obligations coming into effect between the Defaulting Clearing Participant and JSCC pursuant to the provisions of Article 84-5.1.

#### Article 93-2. Execution of Cross Margining Liquidation Transactions

1 If the claims and obligations have come into existence pursuant to the provisions of Article 84-5.1, JSCC may, taking account the advice of the IRS Default Management Committee, cause the JGB Futures Clearing Participant of its selection conduct offsetting sale or offsetting purchase set forth in Article 73-15-4.2 of the Securities and Similar Contracts Business Rules or take other necessary liquidation process in respect of the Cross Margined JGB Futures Cleared

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<sup>63</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 6.

Contracts or the Cross Margined Interest Rate Futures Cleared Contracts set forth in Article 84-5.1.

2 For the purpose of hedging all or part of losses which may JSCC incur as a result of the settlement of the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts, taking account the advice of the IRS Default Management Committee, the size of and market conditions and other factors surrounding the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts mentioned in Paragraph 1, JSCC may execute IRS Transactions (hereinafter referred to as the “Cross Margining Liquidation Transactions”) simultaneously with the settlement of the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts pursuant to the provisions of Paragraph 1 in the manner prescribed by JSCC in the Subordinate Rules<sup>64</sup>.

3 The Cross Margining Liquidation Transaction shall be deemed as a Cleared Contract (Collateral Type) to which the provisions of the Rules shall apply. In such event, details shall be prescribed by JSCC on each occasion.

4 If the claims and obligations come into effect pursuant to the provisions of Article 84-5.1 for any reason other than Clearing Participant’s Default and JSCC executes the Cross Margining Liquidation Transactions, JSCC shall have corresponding IRS Transactions with identical terms and conditions as the Cross Margining Liquidation Transactions, except for the transaction side on the part of JSCC which shall be opposite, executed between JSCC and the Clearing Participant set forth in Article 84-5.1 simultaneously with the execution of the Cross Margining Liquidation Transactions.

5 Provisions of Paragraph 3 shall apply *mutatis mutandis* to IRS Transactions set forth in Paragraph 4.

6 If the Cross Margining Liquidation Transactions under Paragraph 4 are executed in respect of the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest

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<sup>64</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 7-2.



Rate Futures Cleared Contracts recorded on the Customer Account of a Clearing Participant and the Clearing Brokerage Contracts for the Customer owning such Customer Account has not been terminated, the IRS Transactions under Paragraph 4 shall be deemed as the Customer's Cleared Contract concluded through the Clearing Brokerage for the Customer and the legal relationship between the Clearing Participant and the Customer in relation to such IRS Transactions shall be deemed as the Clearing Brokerage Contracts related to such Customer's Cleared Contracts.

7 Details of the IRS Transactions to come into effect pursuant to the provisions of Paragraph 4 shall be prescribed by JSCC in the Subordinate Rules<sup>65</sup>.

Article 94-2. Position Transfer of Customer's Cleared Contract upon Default of Cross Margining Accepting Party

1 Notwithstanding the provisions of Article 94, when the claims and obligations set forth in Article 84-5.1 come into existence as a result of a Default of a Cross Margining Accepting Party, the Customer's Cleared Contracts may be transferred as Position Transfer as a whole, to one or more Successor Clearing Brokers, who shall assume the rights, claims and obligations listed below, through the submission by the Customer of an application to JSCC via the Successor Clearing Broker(s). This may only be done during the period specified in the Subordinate Rules<sup>66</sup>:

- (1) The claims and obligations identical, in terms and conditions as prescribed in the Subordinate Rules<sup>67</sup>, to the claims and obligations under the Customer's Cleared Contracts between the Cross Margining Accepting Party and JSCC which are in effect immediately before the claims and obligations coming into existence pursuant to the provisions of Article 84-5.1; and
- (2) The claims and obligations identical, in terms and conditions as prescribed in the

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<sup>65</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 7-2.

<sup>66</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 8-2.1.

<sup>67</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 8-3.2.

Subordinate Rules<sup>68</sup>, to the claims and obligations under the Clearing Brokerage Contract between the Cross Margining Accepting Party and the Customer which are in effect immediately before the claims and obligations coming into existence pursuant to the provisions of Article 84-5.1.

2 The provisions of Article 94.2 to 94.8 shall apply mutatis mutandis for Position Transfer of claims and obligations related to the Customer's Cleared Contracts and Clearing Brokerage Contracts set forth in the provisions of Paragraph 1, except that Article 94.5 shall be replaced by the following provisions:

"5 Upon receipt of a request for Position Transfer, in accordance with the provisions of Paragraph 4, JSCC shall calculate Initial Margin (as specified in Articles 64 and 65) as if there had been a successful Position Transfer at 4:00 p.m. on the date of request of such Position Transfer, as well as the Position Transfer Fee, accrued liabilities, excluding liabilities which are already due between JSCC and the Defaulting Clearing Participant at the time of determination of the Default and which relate to the Fixed Amount, Floating Amount and upfront fee to be settled on the Position Transfer Date in respect of the Cleared Contracts whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen, and Variation Margin as set forth in more detail in the Subordinate Rules. JSCC shall accept the request for such Position Transfer, if JSCC can confirm that such Successor Clearing Broker has deposited and paid Initial Margin, Position Transfer fee, accrued liabilities and Variation Margin to JSCC, no later than 4:00 p.m. on such date."

3 The Position Transfer of Customer's Cleared Contracts and Clearing Brokerage Contracts by a Cross Margining User set forth in Paragraphs 1 and 2 above may only be allowed when the Cross Margining User has agreed with the ListedJGB Futures Successor Clearing Broker (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts or the Interest Rate Futures Contracts of the said Cross Margining User are traded through brokerage of the JGB Futures Non-Clearing Participant) on the ListedJGB Futures Position Transfer, and submitted a request for ListedJGB Futures Position Transfer in the form prescribed by JSCC to JSCC via the ListedJGB Futures Successor Clearing Broker.

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<sup>68</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 8-3.2.

Article 94-3. ~~ListedJGB~~ Futures Position Transfer of Claims and Obligations related to JGB Futures Cleared Contracts and the like and Claims and Obligations related to Interest Rate Futures Cleared Contracts and the like upon Default of Cross Margining Accepting Party

1 When the claims and obligations come into existence pursuant to the provisions of Article 84-5.1, a ~~ListedJGB~~ Futures Position Transfer in relation to the claims and obligations listed below corresponding to such claims and obligations and the legal relationship set forth in Article 84-5.2 as a whole to a ~~ListedJGB~~ Futures Successor Clearing Broker may be effected, through the submission by the Cross Margining User falling under Article 2.1.(13)-~~98.b.~~ to d. an application to JSCC via the ~~ListedJGB~~ Futures Successor Clearing Broker. This may only be done during the period specified in the Subordinate Rules<sup>69</sup>, and so long as no event of default under the Agreement for Setting Up Futures/Options Trading Account prescribed by the Designated Market Operator or the Contract for Commissioning Clearance related to JGB Futures, etc. executed with the Cross Margining Requestor has occurred on the part of the Cross Margining User or the Cross Margining User has not been subject to the measures of suspension of a Clearing Brokerage for Market Transactions of Derivatives by the Designated Market Operator as it is judged to be insolvent or likely to be insolvent:

- (1) The claims and obligations identical, in terms and conditions as prescribed in the Subordinate Rules, to the claims and obligations set forth in Article 84-5.1 between the Cross Margining Accepting Party and JSCC which are in effect at the time when the claims and obligations come into existence pursuant to the provisions of Article 84-5.1; and
- (2) The claims and obligations identical, in terms and conditions as prescribed in the Subordinate Rules, to the legal relationship set forth in Article 84-5.2 between the Cross Margining Accepting Party and the Customer which are in effect at the time when the claims and obligations come into existence pursuant to the provisions of Article 84-5.1.

2 Where a Cross Margining User applies to JSCC for a ~~ListedJGB~~ Futures Position Transfer pursuant to the provisions of Paragraph 1, the Cross Margining User shall obtain the

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<sup>69</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 8-3.1.

consent of the ListedJGB Futures Successor Clearing Broker (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts or the Interest Rate Futures Contracts of the Cross Margining User are traded through a brokerage of a JGB Futures Non-Clearing Participant).

3 When the ListedJGB Futures Successor Clearing Broker consents to the ListedJGB Futures Position Transfer in Paragraph 2, it shall submit the request form for ListedJGB Futures Position Transfer received from the Cross Margining User to JSCC within the period referenced in Paragraph 1.

The request form shall state, among other things, the effect that the ListedJGB Futures Successor Clearing Broker was asked to accept ListedJGB Futures Position Transfer and has accepted it; that the JGB Futures Non-Clearing Participant has agreed to it, when the JGB Futures Contracts or the Interest Rate Futures Contracts of the Cross Margining User are traded through a brokerage of the JGB Futures Non-Clearing Participant; that the Cross Margining User is submitting request for ListedJGB Futures Position Transfer to JSCC; and that the ListedJGB Futures Successor Clearing Broker is submitting the request for Listed JGB Futures Position Transfer to JSCC.

4 Upon receipt of a request for ListedJGB Futures Position Transfer pursuant to the provisions of Paragraph 3, JSCC shall accept the request for such ListedJGB Futures Position Transfer, if the conditions set forth below according to each case listed below are satisfied:

- (1) When the claims and obligations set forth in Article 84-5.1 come into existence as a result of a Default of the Cross Margining Accepting Party:  
Position Transfer of Customer's Cleared Contracts and Clearing Brokerage Contracts as set forth in Paragraph 94-2 is possible;
- (2) When the claims and obligations set forth in Article 84-5.1 come into existence due to any reason other than a Default of the Cross Margining Accepting Party:  
Such Cross Margining Accepting Party has deposited the amount of Initial Margin calculated by JSCC pursuant to the provisions of Articles 64 and 65 as if there had been a successful ListedJGB Futures Position Transfer at 4:00 p.m. on the date of request of such ListedJGB Futures Position Transfer with JSCC no later than 4:00 p.m. on such

date.

5 Where JSCC accepts the request for ListedJGB Futures Position Transfer under Paragraph 4, the settlement for the transferred Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts and the ListedJGB Futures Position Transfer shall be undertaken according to the following provisions:

(1) According to the cases listed below, the claims and obligations prescribed in each item of Paragraph 1 shall arise *de novo* among the parties specified in the relevant items below on the ListedJGB Futures Position Transfer Date:

a. When the Cross Margining User falls under Article 2.1.(13)-8.b:

Among JSCC, ListedJGB Futures Successor Clearing Broker and the customer whose JGB Futures Contracts or Interest Rate Futures Contracts are traded through a brokerage of the ListedJGB Futures Successor Clearing Broker;

b. When the Cross Margining User falls under Article 2.1.(13)-8.c:

Among JSCC, ListedJGB Futures Successor Clearing Broker and the JGB Futures Non-Clearing Participant whose JGB Futures Contracts or Interest Rate Futures Contracts are Cleared through brokerage of the ListedJGB Futures Successor Clearing Broker;

c. When the Cross Margining User falls under Article 2.1.(13)-8.d:

Among JSCC, ListedJGB Futures Successor Clearing Broker, the JGB Futures Non-Clearing Participant whose JGB Futures Contracts or Interest Rate Futures Contracts acting as broker for the customer are Cleared through brokerage of the ListedJGB Futures Successor Clearing Broker and the customer whose JGB Futures Contracts or Interest Rate Futures Contracts are traded through brokerage of the JGB Futures Non-Clearing Participant.

(2) The claims and obligations which arise pursuant to Item (1) shall be deemed to be as follows:

a. Among the parties specified in Item (1).a. above, the claims and obligations related

to the JGB Futures Cleared Contracts or the Interest Rate Futures Cleared Contracts which would have come into effect at the time of the ListedJGB Futures Position Transfer had brokerage for the JGB Futures Contracts or the Interest Rate Futures Contracts been asked by the customer to the ListedJGB Futures Successor Clearing Broker, and the claims and obligations related to the brokerage for the relevant JGB Futures Contracts or the relevant Interest Rate Futures Contracts;

b. Among the parties specified in Item (1).b. above, the claims and obligations related to the JGB Futures Cleared Contract or the Interest Rate Futures Cleared Contracts which would have come into effect at the time of the ListedJGB Futures Position Transfer had Clearing brokerage for the JGB Futures Contracts or the Interest Rate Futures Contracts been asked by the JGB Futures Non-Clearing Participant to the ListedJGB Futures Successor Clearing Broker, and the claims and obligations related to the Clearing brokerage for the relevant JGB Futures Contracts or the relevant Interest Rate Futures Contracts;

c. Among the parties specified in Item (1).c. above, the claims and obligations related to the JGB Futures Cleared Contract or the Interest Rate Futures Cleared Contracts which would have come into effect at the time of the ListedJGB Futures Position Transfer had brokerage for the JGB Futures Contracts or the Interest Rate Futures Contracts been asked by the customer to the JGB Futures Non-Clearing Participant and Clearing related to such JGB Futures Contracts or Interest Rate Futures Contracts been asked by the JGB Futures Non-Clearing Participant to the ListedJGB Futures Successor Clearing Broker, the claims and obligations related to Clearing brokerage for the JGB Futures Contracts or the Interest Rate Futures Contracts, and the claims and obligations related to the brokerage for the customer's JGB Futures Contracts or Interest Rate Futures Contracts of the JGB Futures Non-Clearing Participant;

- (3) In the ListedJGB Futures Position Transfer, the Settlement Price, as defined in the Securities and Similar Contracts Business Rules, on the JSCC Business Day immediately preceding the date on which the claims and obligations come into existence pursuant to the provisions of Article 84-5.1 shall be used as the Contract Price.
- (4) Where claims and obligations arise as a result of Item (1), JSCC and the Cross

Margining Accepting Party respectively shall pay or receive the amount equivalent to the Cross Margining MtM Difference, as prescribed in the Subordinate Rules<sup>70</sup>;

- (5) The claims and obligations between JSCC and the Cross Margining Accepting Party set forth in Article 84-5.1 and the legal relationship between the Cross Margining Accepting Party and the Customer set forth in Article 84-5.2 shall cease to exist and have no future effect.

6 The claims and obligations which arise between JSCC and the ~~Listed~~JGB Futures Successor Clearing Broker pursuant to the provisions of Paragraph 5 shall be deemed as the JGB Futures Cleared Contracts or the Interest Rate Futures Cleared Contracts, as applicable, and the provisions of the Securities and Similar Contracts Business Rules and sub-ordinated rules thereof shall apply.

7 In addition to the provisions of Paragraphs 1 to 6, other matters necessary for ~~Listed~~JGB Futures Position Transfer shall be prescribed in the Subordinate Rules.

#### Article 101. Method for Settlement of Defaulting Clearing Participant's Cleared Contracts

1 Notwithstanding anything to the contrary stated herein, in respect of the obligations which a Defaulting Clearing Participant owes to JSCC in connection with termination of the Defaulting Clearing Participant's Cleared Contracts set forth in Item (1) below ("Unsettled Obligations"), the net-settlement thereof and the application of collateral thereto shall be made by each currency type of the Defaulting Clearing Participant's Cleared Contracts pursuant to the provisions of Item (2) of this paragraph, on the day on which all the amounts of Unsettled Obligations, obligations of JSCC to be netted out against such Unsettled Obligations and the value of the collateral to be applied to the payment of such Unsettled Obligations are fixed:

- (1) Unsettled Obligations shall be:
- a. Payment obligation for the Early Termination Charge payable by the Defaulting

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<sup>70</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 8-3.2.

Clearing Participant to JSCC in respect of the currency of the relevant Defaulting Clearing Participant's Cleared Contracts as a result of termination of the Defaulting Clearing Participant's Cleared Contracts;

- b. Obligation to return Variation Margin deposited by JSCC with the Defaulting Clearing Participant for the Defaulting Clearing Participant's Cleared Contracts and the payment obligation for the accrued interests on such Variation Margin. Variation Margin and interests on Variation Margin related to the Defaulting Clearing Participant's Cleared Contracts whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen shall be converted into Japanese yen in the manner prescribed by JSCC in the Subordinate Rules<sup>71</sup>, the same applies in below Item (2);
- c. Any unsettled obligation of the Defaulting Clearing Participant in relation to any Cleared Contract in the relevant currency that has already become due at the time when the occurrence of the Default of such Defaulting Clearing Participant is determined. The unsettled obligation in relation to the Defaulting Clearing Participant's Cleared Contracts whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen shall be converted into Japanese yen in the manner prescribed by JSCC in the Subordinate Rules<sup>72</sup>, the same applies in below Item (2);
- d. Payment obligations in respect of the currency of the Defaulting Clearing Participant's Cleared Contracts owed by the Defaulting Clearing Participant pursuant to the provision of Article 99-2.2. The payment obligations in respect of the Defaulting Clearing Participant's Cleared Contracts whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen shall be converted into Japanese yen in the manner prescribed by

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<sup>71</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-2.

<sup>72</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-2.



JSCC in the Subordinate Rules<sup>73</sup>;and

- e. Payment obligations in respect of the currency of the Defaulting Clearing Participant's Cleared Contracts owed by the Defaulting Clearing Participant pursuant to the provision of Article 101. The payment obligations in respect of the Defaulting Clearing Participant's Cleared Contracts whose Notional Amount and settlement currency are denominated in Japanese yen shall include those related to claims and obligations came into effect pursuant to the provisions of Article 84-5.1. The payment obligations in respect of the Defaulting Clearing Participant's Cleared Contracts whose Notional Amount and settlement currency are denominated in a currency other than Japanese yen shall be converted into Japanese yen in the manner prescribed by JSCC in the Subordinate Rules<sup>74</sup>, the same applies in below Item (2).

(2) Netting and application of collateral to be conducted by each currency of the Defaulting Clearing Participant's Cleared Contracts shall be conducted pursuant to the following provisions:

- a. The amount of the Early Termination Charge payable by JSCC for the relevant currency shall be deducted from the total amount of the Unsettled Obligations for the relevant currency set forth in Item (1) ( "Defaulting Clearing Participant Payment Amount"). If any Cross Margined JGB Futures Cleared Contract or Cross Margined Interest Rate Futures Cleared Contract is booked on the Clearing Participant Account of the Defaulting Clearing Participant, the amount of the Early Termination Charge payable by JSCC in respect of the Defaulting Clearing Participant's JPY Cleared Contracts shall include JSCC's payment obligations related to the claims and obligations which have come into effect pursuant to the provisions of Article 84-5.1;
- b. Variation Margin deposited with JSCC by the Defaulting Clearing Participant for

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<sup>73</sup> cf. Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-3.

<sup>74</sup> cf. Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-2.

the Defaulting Clearing Participant's Cleared Contracts shall be applied to the payment of the Unsettled Obligations in respect of the relevant currency, and the amount so applied shall be deducted from the total amount of Unsettled Obligations remaining after the deduction set forth in a. above;

- c. The Funds of which delivery to the Defaulting Clearing Participant has been suspended pursuant to the provisions of Article 89.2 shall be applied to the payment of the Unsettled Obligations in respect of the relevant currency, and the amount so applied shall be deducted from the total amount of Unsettled Obligations remaining after the deduction set forth in b. above, provided that, for securities, the proceeds from their liquidation remaining after payment of cost of liquidation shall be applied to the payment of the Unsettled Obligations, and for Cash in a currency other than Japanese yen, the Japanese yen equivalent converted in the manner prescribed by JSCC in the Subordinate Rules<sup>75</sup> shall be applied to the payment of the Unsettled Obligations;
- d. Initial Margin deposited for the Defaulting Clearing Participant's Cleared Contracts and allocated by each currency type using the allocation ratio prescribed by JSCC in the Subordinate Rules<sup>76</sup> other than Initial Margin of which the Customer has the right to claim return pursuant to the provisions of Article 76 shall be applied to the payment of the Unsettled Obligations in respect of the relevant currency, and the amount so applied shall be deducted from the total amount of Unsettled Obligations remaining after the deduction set forth in c. above, provided that, for Initial Margin in the form of securities, the proceeds from their liquidation remaining after payment of cost of liquidation shall be applied to the payment of the Unsettled Obligations;
- e. The IRS Clearing Fund and the Default Contingent Margin deposited by the Defaulting Clearing Participant and allocated by each currency type of the Defaulting Clearing Participant's Cleared Contracts using the allocation ratio

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<sup>75</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-2.

<sup>76</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-3.1.

prescribed by JSCC in the Subordinate Rules<sup>77</sup> shall be applied to the payment of the Unsettled Obligations in respect to the relevant currency, and the amount so applied shall be deducted from the amount of Unsettled Obligations remaining after the deduction set forth in d. above, provided that for securities deposited as the IRS Clearing Fund or the Default Contingent Margin, the proceeds from their liquidation remaining after payment of cost of liquidation shall be applied to the payment of the Unsettled Obligations; and

- f. The excess collateral deposited by the Defaulting Clearing Participant to secure its obligations under any Other Clearing Business and allocated by each currency type of the Defaulting Clearing Participant's Cleared Contracts using the allocation ratio prescribed by JSCC in the Subordinate Rules<sup>78</sup> shall be applied to the payment of the Unsettled Obligations in respect to the relevant currency, and the amount so applied shall be deducted from the Unsettled Obligations remaining after the deduction set forth in e. above. As used herein, "excess collateral" means margin, clearing fund and any other collateral deposited by the Defaulting Clearing Participant with JSCC in respect of any of the Other Clearing Businesses, to which the Defaulting Clearing Participant has the right to claim return, remaining after application thereof to the payment of the Defaulting Clearing Participant's obligations in accordance with the business rules of such Other Clearing Business, provided that in the case of the excess collateral in the form of securities, it shall be the amount of proceeds of their liquidation remaining after the cost of such liquidation.

2 When there still remains any Defaulting Clearing Participant Payment Amount in respect of a certain currency outstanding after the netting and application of collateral by each currency of the Defaulting Clearing Participant's Cleared Contracts as set forth in Paragraph 1, the total amount of such outstanding Defaulting Clearing Participant Payment Amounts shall constitute one single claim of JSCC against the Defaulting Clearing Participant arising from termination of all Defaulting Clearing Participant's Cleared Contracts notwithstanding any other

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<sup>77</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-3.2.

<sup>78</sup> *cf.* Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business, Article 17-3.2.

provision of these Business Rules.

Supplementary Provisions

1. These amendments shall come into force as of March 4, 2024.
  
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 March 4, 2024.

## 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 : 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.

(\*) Please note that this does not apply to Exhibit Forms 3-2 for which the original version is English.

## Article 2. Definitions

Unless otherwise set forth herein, the terms used in these IRS Procedures shall have the meanings used in the Business Rules. In addition, the following terms shall have the meanings defined below:

- (1) "Upfront Fee" means the Cash other than Fixed Rates and Floating Rates that is due pursuant to the agreement between the parties upon execution of an IRS Transaction ;
- (2) "IRS Clearing System" means the system used for exchange of information between JSCC and Clearing Participants in respect of the IRS Clearing Business;
- (2)-2 "CFTC Regulation" means Code of Federal Regulations TITLE 17 Commodity and Securities Exchanges CHAPTER I COMMODITY FUTURES AND TRADING COMMISSION;
- (3) "Additional Required Initial Margin" means the amount to be added to Required Initial Margin when JSCC increases a Clearing Participant's Required Initial Margin in accordance with the Rules;
- (4) "Backload Transaction" means an Eligible IRS Transaction applied for Clearing by a Clearing Participant to JSCC during a period from 7:00 p.m. through 8:00 p.m. on a JSCC Business Day whose trade date is 10 JSCC Business Days preceding the date of such application or earlier.
- (4)-2 "Package Trade" means, when a Clearing Participant applies for Clearing of a voluntary combination of multiple Eligible IRS Transactions in bulk, the group of relevant Eligible IRS Transactions.
- (5) "2000 ISDA Definitions" means the 2000 ISDA Definitions published by ISDA in 2000, including changes, amendments, or supplements published by ISDA in writing, but excluding those specified by JSCC in a public notice.
- (5)-2 "2006 ISDA Definitions" means the 2006 ISDA Definitions published by ISDA in 2007, including changes, amendments, or supplements published by ISDA in writing, but excluding those specified by JSCC in a public notice.
- (6) "Contract Month Contract" means a contract for a contract month set forth in Article 73-

6.1 of the Securities and Similar Contracts Business Rules.

- (7) "Settlement Price" means the settlement price of JGB Futures Contract and Interest Rate Futures Contract set forth in Article 73-7 of the Securities and Similar Contracts Business Rules;
- (8) "Large JGB Futures Contract" means a Physically-delivered~~"Large JGB Futures Contract"~~ set forth~~defined~~ in Article 73-10.1 of the Securities and Similar Contracts Business Rules;
- (9) "Mini JGB Futures Contract" means a Cash-settled~~"Mini JGB Futures Contract (referring to the cash-settled futures contracts related to JGB Futures Contract prescribed by the Designated Market Operator)"~~ set forth~~defined in Article 73-79-2 of the Securities and Similar Contracts Business Rules.~~

Article 3-2. JGB Futures Contracts and Interest Rate Futures Contracts Eligible to be Covered under Cross Margining

JGB Futures Contracts and Interest Rate Futures Contracts to be prescribed by JSCC under Article 2.1.(13)-5 of the Business Rules shall be the following:

- (1) Contract Month Contract of Large JGB Futures Contract of which the last trading day arrives the earliest and Contract Month Contract of Large JGB Futures Contract of which last trading day arrives the next; provided that if the last trading day arrives within 3 JSCC Business Days, such Contract Month Contract shall not be eligible for cross margining; ~~and~~
- (2) Contract Month Contract of Mini JGB Futures Contract whose last trading day arrives in the same month as the Large JGB Futures Contract set forth in Item (1); provided that if the last trading day arrives within 2 JSCC Business days, such Mini JGB Futures Contract shall not be eligible for cross margining. and-

(3) Contract Month Contract of Interest Rate Futures Contract designated by JSCC in the public notice.

Article 13. Eligible Securities Collateral

1 The prices used to determine the value of Eligible Securities Collateral specified under Article 7.1 of the Business Rules shall be the market price listed in the column under "Market Price" multiplied by the rate listed in the column under "Market Price Multiplier" according to the classification of securities listed in the column under "Type of Eligible Securities Collateral" in Appendix 1 hereto.

The prices used to determine the value of Eligible Securities Collateral deposited as Customer Initial Margin shall be the values agreed between the Clearing Broker and the Customer, provided that such price shall not exceed the price obtained as above.

2 The manner of deposit of Eligible Securities Collateral and other necessary matters in respect of Eligible Securities Collateral set forth in Article 7.2 of the Business Rules shall be as follows:

- (1) Manner of deposit and other handling of Japanese Government Bonds
  - a. Where a Clearing Participant deposits Japanese Government Bonds with JSCC as Eligible Securities Collateral, whether for itself or as agent for a Customer, the Clearing Participant shall deposit such securities through a book-entry transfer to the account in the name of JSCC opened with the Bank of Japan under the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001) using the Bank of Japan financial network system ("BOJ-NET");
  - b. A Clearing Participant may deposit or withdraw the Japanese Government Bonds set forth in Item (1).a. above through its agent, if the Clearing Participant has submitted to JSCC a document stating the matters required by JSCC and obtained the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent opened with the Bank of Japan or Participant in the JGB Book-Entry System.
- (2) Manner of deposit and other handling of United States Treasury Security
  - a. If a Clearing Participant desires to deposit United States Treasury Security ("US Treasuries") with JSCC as Eligible Securities Collateral, whether for itself or as agent for a Customer, it must obtain JSCC's prior consent at each time in the manner specified in a notification;
  - b. Where a Clearing Participant deposits US Treasuries with JSCC pursuant to a. above, the Clearing Participant shall transfer the US Treasuries to the account in the name of JSCC opened with a bank located in New York City, New York, the United States of America by 2:00 p.m. (Eastern Standard Time) on the day immediately preceding the day on which such deposit is to be made, and shall notify JSCC of such transfer by 4:00 p.m. on the date of the book-entry transfer. In such case, unless the transfer is made within the same bank, the book-entry transfer shall be carried out through the Federal Reserve Communications System in the United States of America;
  - c. When a Clearing Participant requests withdrawal of US Treasuries deposited as Eligible Securities Collateral, for itself or as agent for a Customer, the Clearing Participant shall notify such request to JSCC by 11:00 a.m.~~noon~~ on the date of requested withdrawal;



- d. A Clearing Participant may use its agent for such deposit or withdrawal of the US Treasuries set forth in Item (2).a. through c. above if the Clearing Participant submits to JSCC a document stating the matters required by JSCC and obtains the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent.

(3) Liquidation

If:

- a. JSCC has determined that a Clearing Participant is in Default;
- b. JSCC has determined the Failure of Settlement of a Clearing Participant;
- c. JSCC uses the IRS Clearing Fund deposited with JSCC by a Clearing Participant in accordance with Article 103.1 or Article 110.1 of the Business Rules; or
- d. The due date for the performance of the obligations of a Clearing Participant to JSCC is accelerated or arrives,

JSCC may liquidate the Eligible Securities Collateral deposited with JSCC by the Clearing Participant or a Customer as it deems appropriate, convert the liquidation proceeds of Eligible Securities Collateral into another currency or liquidate Eligible Securities Collateral in another currency, or directly exercise the rights in such Eligible Securities Collateral, and may apply the proceeds remaining after the payment of the expenses of such liquidation to the performance of the obligation of such Clearing Participant to JSCC or to the recovery of the loss pursuant to Article 103.1 or Article 110.1 of the Business Rules

(4) Application of Item (3) to Eligible Securities Collateral deposited as Customer Initial Margin:

The provisions of Item (3) above shall apply *mutatis mutandis* to Eligible Securities Collateral deposited with a Clearing Broker by a Customer as Customer Initial Margin.

Article 20. Matters to be Reported

1 Events prescribed under Article 20 of the Business Rules shall be any of the following events on the part of a Clearing Participant. The Clearing Participant shall report such event to JSCC in the form prescribed by JSCC together with the documents which JSCC deems necessary:

- (1) When the Clearing Participant establishes or changes its risk management methods, business operations or any other aspects of its business pursuant to Article 29-2.2.(2)

or Article 33-3.2.(2) of the Financial Instruments and Exchange Act (Act No. 25 of 1948), or, in the case of a foreign bank, when it changes any item stated in the document prescribed in Article 18.2.(4) to be submitted with the application for IRS Clearing Qualification pursuant to Article 18.2, unless such change is immaterial;

- (2) When the Clearing Participant learns that its Designated Parent Company (as such term defined in Article 57-12.3 of the Financial Instruments and Exchange Act) filed notification pursuant to the provisions of Article 57-14 of said Act in respect of the matters listed in Article 57-13.1.(6) of said Act;
- (3) If the Clearing Participant is a Financial Instruments Business Operator, when it suspends or resumes its Financial Instruments Business; and, if the Clearing Participant is a Registered Financial Institution, when it suspends or resumes the business which required registration under the Financial Instruments and Exchange Act;
- (4) When the Clearing Participant files a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings, the commencement of special liquidation or the recognition of foreign insolvency proceedings<sup>79</sup>, including petitions equivalent to the foregoing under any foreign laws and regulations, or when the Clearing Participant becomes aware of the fact that the petition for any of the foregoing was filed against it;
- (5) When the Clearing Participant becomes aware of a filing of a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings, the commencement of special liquidation or the recognition of foreign insolvency proceedings in respect of the Designated Parent Company;
- (6) When the Clearing Participant becomes, or is likely to become, insolvent;
- (6)-2 When the Clearing Participant set forth under Article 2.1.(59).g. of the Business Rules had its obligations accelerated pursuant to the provisions of the Agreement for Setting up Futures/Options Trading Account or the Contract for Commissioning Clearance of JGB Futures Contracts;
- (6)-3 If, with respect to a Clearing Participant, the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts are recorded on its Clearing Participant Account and the Cross Margining User for such Cross

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<sup>79</sup> *cf.* Act on Recognition of and Assistance for Foreign Insolvency Proceedings (Act No. 129 of 2000).

Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts falls under Article 2.1.(13)-~~98~~.d. of the Business Rules, when the JGB Futures Non-Clearing Participant to which the Cross Margining User requested brokerage of the JGB Futures Contracts or the Interest Rate Futures Contracts had its obligation accelerated as a matter of course under the AGREEMENT FOR SETTING UP FUTURES/OPTIONS TRADING ACCOUNT.

- (7) When the Designated Parent Company becomes, or is likely to become, insolvent;
- (8) When the Clearing Participant becomes unable to meet the requirements under in Article 9.1. (2). a. or b. of the Business Rules;
- (9) When the Clearing Participant learns that the majority of the voting rights of the shareholders, excluding the voting rights that may only be exercised with respect to limited matters to be resolved at general meetings of shareholders, but including the voting rights attached to shares which are deemed to have voting rights pursuant to Article 879.3 of the Companies Act (Act No. 86 of 2005), or voting rights attached to the equity investment, is held by a single person or another single legal entity or other institution;
- (10) When the Clearing Participant becomes aware of any change in respect of the top ten major shareholders. For this purpose, top ten major shareholders shall be determined by reference to the number of shares held in their own name or in other person's name. Such change shall be reported at each interval prescribed in a notice by JSCC;
- (11) When the Clearing Participant learns that any sanction or punishment is imposed on the Clearing Participant in accordance with the Financial Instruments and Exchange Act, laws and regulations related thereto, and any foreign laws and ordinances equivalent thereto, and in the case of such sanction or punishment under foreign laws and ordinances, when it involves businesses related to IRS Transaction;
- (12) When the Clearing Participant learns that any sanction or punishment is imposed on the Designated Parent Company or Specified Major Shareholders (as such term defined in Article 32.4 of the Financial Instruments and Exchange Act) in accordance with the provisions of the laws and regulations;
- (12)-2 In association with a sanction set forth in Item (11) or (12) above, when the Clearing Participant reports improvement plan or other action plan to an administrative agency;
- (13) If the Clearing Participant is a Financial Instruments Business Operator, when it learns that any of its Officers has fallen under the provisions of Article 29-4.1.(2). a) to i) of

the Financial Instruments and Exchange Act; and if the Clearing Participant is a Registered Financial Institution, when it learns the fact (i) that a decision of the commencement of bankruptcy proceedings was made in respect to any of its Officers supervising the business relating to IRS Transactions, or, if there is no such Officer, in respect of a person responsible for the business relating to IRS Transactions, or (ii) that any Officer supervising the business relating to IRS Transactions, or, if there is no such Officer, a person responsible for the business relating to IRS Transactions, was sentenced to imprisonment or more severe punishment, or punished by a fine pursuant to the Financial Instruments and Exchange Act, or (iii) that any similar event under foreign laws or ordinances occurred;

- (14) When the Clearing Participant learns that any Officer of its Designated Parent Company has fallen under the provisions of Article 29-4.1.(2). a) to i) of the Financial Instruments and Exchange Act;
- (15) When the Clearing Participant learns that the Major Shareholders (as such term defined in Article 29-4.2 of the Financial Instruments and Exchange Act) of a Financial Instruments Business Operator have fallen under the provisions of Article 29-4.1.(5). d) or e) of the Financial Instruments and Exchange Act, or, in the case of a foreign entity which is a Financial Instruments Business Operator, when it learns that those similar to Major Shareholders have fallen under Article 29-4.1.(5). f of the Financial Instruments and Exchange Act;
- (16) When the Clearing Participant learns that the Major Shareholders of its Designated Parent Company have fallen under the provisions of Article 29-4.1.(5). d) or e) of the Financial Instruments and Exchange Act;
- (17) When the Clearing Participant learns that a legal action in a civil case involving an amount in dispute of not less than 50 billion JPY is filed against it or that a court decision is made in the said case, including an appeal, or that a petition for conciliation in the economic value not less than 50 billion JPY is filed against it under the Civil Conciliation Act (Act No. 222 of 1951) or that such conciliation has been closed;
- (18) When the Clearing Participant learns that a legal action in a civil case is filed against its Designated Parent Company or that a court decision is made in the said case including an appeal, or a petition for conciliation under the Civil Conciliation Act is filed against the Designated Parent Company or that such conciliation has been closed;
- (18)-2 In the case of a Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 46-3 of the Financial Instruments and Exchange Act; in the case of a Registered Financial Institution, when it prepared a report regarding its affiliated companies

pursuant to the provisions of Paragraph 2 of Article 48-2 of the Financial Instruments and Exchange Act; or, in the case of a foreign Financial Instruments Business Operator, when it prepared a report regarding its affiliated companies pursuant to the provisions of Paragraph 2 of Article 49-3 of the Financial Instruments and Exchange Act;

- (19) When the Clearing Participant prepares documents for the Monitoring Questionnaires pursuant to Article 56-2 of the Financial Instruments and Exchange Act, or, in the case of a Registered Financial Institution, a Statement of Major Accounts prescribed by JSCC in a notification;
- (20) When the Clearing Participant prepares the “document stating the sound management of the company available for public inspection” pursuant to the provisions of Article 57-5.3 of the Financial Instruments and Exchange Act;
- (21) When the Ultimate Designated Parent Company (as such term defined in Article 57-12.3 of the Financial Instruments and Exchange Act) prepares the “document stating the sound management of the company available for public inspection” pursuant to Article 57-5.3 of the Financial Instruments and Exchange Act;
- (22) If the Clearing Participant is a Financial Instruments Business Operator, when it prepares a business status report set forth in Article 46-3 of the Financial Instruments and Exchange Act; or if the Clearing Participant is a Registered Financial Institution, when it prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 19 of the Banking Act (Act No. 59 of 1981), or when the Clearing Participant prepares a non-consolidated or consolidated business operations report or a mid-term business operations report set forth in Article 110 of the Insurance Business Act (Act No. 105 of 1995); or if the Clearing Participant is a Registered Financial Institution which is a foreign entity, when it prepares a report equivalent thereto;
- (23) When the Clearing Participant prepares a business report pursuant to Article 57-3.1 of the Financial Instruments and Exchange Act;
- (24) When the Ultimate Designated Parent Company prepares the business report;
- (25) When the Clearing Participant prepares a financial result overview report or a mid-term financial result overview report prescribed by JSCC in a notification;
- (26) If the Clearing Participant is a Financial Instruments Business Operator which is a foreign entity, when it prepares the balance sheet, the profit and loss statement and any other financial statements set forth in Article 49-3.1 of the Financial Instruments and Exchange Act;

- (27) (Deleted)
- (28) When the Clearing Participant amends the Clearing Brokerage Agreement with a Customer, except for the case where the Clearing Brokerage Agreement is amended pursuant to the provisions of Article 7.4;
- (28)-2 When the Clearing Participant learns that a Customer of the Clearing Participant changes in the trading name or company name, including changes to the trading name or company name in English;
- (29) When a Customer of the Clearing Participant fails to perform any settlement;
- (30) When the Clearing Participant learns that the Designated Parent Company changed the address of its headquarters or principal office;
- (31) When the Clearing Participant filed a notification pursuant to Article 57-2.1 or Article 57-2.6 (only when it falls under Article 57-2.6(2)) of the Financial Instruments and Exchange Act;
- (32) When the Clearing Participant learns that its parent company is designated as Designated Parent Company, or that such designation is cancelled or has become ineffective;
- (33) When the Clearing Participant learns that the Designated Parent Company merged with another entity (excluding the case where the Designated Parent Company ceases to exist as a result of the merger);
- (34) When the Clearing Participant learns that a person newly became, or ceased to be, a Specified Major Shareholder; or
- (35) When Officer supervising the business related to IRS Transactions, or, if there is no such Officer, a person responsible for the business related to IRS Transactions, was changed.
- (36) When the Clearing Participant changes its fiscal year end date.

2 When reporting the matter described in Paragraph 1.(22), the Clearing Participant shall attach an audit report prepared by the accounting auditor, or its equivalent which JSCC considers appropriate, concerning the financial statements attached to the business status reports, non-consolidated business operations reports, or other equivalent documents prescribed in Paragraph 1.(22).

3 Where a Clearing Participant is under Parental Guarantee, events prescribed under Article 20 of the Business Rules shall be, in addition to those listed in Paragraph 1 (excluding Item (8)), those listed in the following items, and the Clearing Participant shall report such event using the form prescribed by JSCC together with documents which JSCC deems necessary:

- (1) When any of the events set forth in Paragraph 1.(4), 1.(6), 1.(11) and 1.(17) has occurred on the part of the Parent Company other than the Designated Parent Company;
- (2) When any of the events set forth in Paragraph 1.(19), 1.(22), 1.(25) and 1.(26) has occurred on the part of the Parent Company;
- (3) When the Clearing Participant or its Parent Company no longer satisfies the requirements set forth Article 9.2 of the Business Rules; and
- (4) If the Parent Company is neither a Financial Instruments Business Operator nor a Registered Financial Institution, when any of the following events has occurred on the part of such Parent Company:
  - a. when it suspended or resumed all of its businesses; or
  - b. when it prepared a balance sheet, profit and loss statement or any other financial documents.

4 The provisions of Paragraph 2 shall apply *mutatis mutandis* when the Clearing Participant reports the event set forth in Paragraph 1.(22) or Paragraph 3.(4).b. concerning its Parent Company providing Parental Guarantee to such Clearing Participant.

#### Article 23. Increase in Required Initial Margin where Risk is High

1 When applying Article 29.2 of the Business Rules, JSCC shall measure the risk by PV01, which is the change in net present value calculated by the method prescribed by JSCC in a notification, calculated by category designated by JSCC in a notification with respect to JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts or EUR Cleared Contracts recorded on each Proprietary Account or Customer Account of a Clearing Participant. The threshold to be set by JSCC under Article 29.2 of the Business Rules shall be set in a notification.

2 When applying Paragraph 1 to a Proprietary Account of a Clearing Participant which is a Cross Margining User or a Customer Account established for a Customer who is a Cross Margining User, the provisions of Paragraph 1 shall be deemed to have been revised in the following manner:

- a. The reference to “JPY Cleared Contract” shall be replaced with “JPY Cleared Contracts, Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts”; and
- b. The reference to “net present value” shall be replaced with “net present value or present value of the Cross Margined JGB Futures Cleared Contract and the Cross Margined Interest Rate Futures Cleared Contracts, which is the value obtained for JGB Futures Contract related to the Cross Margined JGB Futures Cleared Contracts and the Interest Rate Futures Contracts related to the Cross Margined Interest Rate Futures Cleared Contracts based on expected future cash flow through a method prescribed by JSCC through a notice or public notice.”

3 When JSCC increases Required Initial Margin as set forth in Article 29.2 of the Business Rules, the Additional Required Initial Margin shall be the amount obtained by multiplying the excess of PV01 as set forth in Paragraphs 1 and 2 above the threshold prescribed in Paragraphs 1 and 2, by the interest rate fluctuation risk corresponding to the level of PV01 set by JSCC in a notification, and then reflecting the interest rate fluctuation risk correlation by category designated by JSCC pursuant to the provisions of Paragraph 1 in the manner prescribed by JSCC through public notice. For Foreign Currency Cleared Contracts, above mentioned excess of PV01 shall be converted into JPY by using foreign exchange rate prescribed by JSCC through public notice.

#### Article 26-3. Designation of ListedJGB Futures Backup Clearing Broker

1 The report to JSCC under Article 45-3.4 of the Business Rules shall be as follows:

- (1) The ListedJGB Futures Backup Clearing Broker shall promptly report to JSCC via the Cross Margining Accepting Party the following:
  - a. When the Cross Margining User who designates the ListedJGB Futures Backup Clearing Broker (and the JGB Futures Non-Clearing Participant, when JGB Futures Contracts or Interest Rate Futures Contracts of the Cross Margining User are traded through a brokerage of a JGB Futures Non-Clearing Participant) and the JGB Futures Clearing Participant have agreed on the conditions of the ListedJGB Futures Position Transfer in respect of all or a part of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like to the JGB Futures Clearing Participant, the ListedJGB Futures Backup Clearing Broker shall promptly report the details of the conditions for ListedJGB Futures Position Transfer to JSCC;
  - b. When the Cross Margining User who designates the ListedJGB Futures Backup Clearing Broker (and the JGB Futures Non-Clearing Participant, when JGB Futures Contracts or Interest Rate Futures Contracts of the Cross Margining User are



traded through a brokerage of a JGB Futures Non-Clearing Participant) and the JGB Futures Clearing Participant have agreed on the establishment of the framework for ListedJGB Futures Position Transfer in respect of all or a part of the claims and obligations related to such JGB Futures Cleared Contracts and the like and the claims and obligations related to such Interest Rate Futures Cleared Contracts and the like to such JGB Futures Clearing Participant, the ListedJGB Futures Backup Clearing Broker shall promptly report the details of such framework to JSCC.

- (2) When changing or cancelling the agreement on the matters listed in a. or b. above, the ListedJGB Futures Backup Clearing Broker or the JGB Futures Non-Clearing Participant, as applicable, shall promptly report such change with its details or report cancellation to JSCC via the Cross Margining Accepting Party.

For the purpose of these Handling Procedures, the claims and obligations related to JGB Futures Cleared Contracts and the like means the claims and obligations related to the JGB Futures Cleared Contracts, a Clearing brokerage for JGB Futures Contracts and a brokerage for JGB Futures Contracts and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like means the claims and obligations related to the Interest Rate Futures Cleared Contracts, a Clearing brokerage for Interest Rate Futures Contracts and a brokerage for Interest Rate Futures Contracts.

2 The details of the structure prescribed under Article 45-3.5 of the Business Rules shall be all of the following:

- (1) To agree in advance on the conditions set forth in Paragraph 1.(1).a.;
- (2) Both the Cross Margining User and the ListedJGB Futures Backup Clearing Broker to periodically check to see if the ListedJGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like to the ListedJGB Futures Backup Clearing Broker pursuant to the agreement set forth in Item (1) is possible;
- (3) To establish the operational flow related to the payment and/or receipt of Funds to be performed daily after the ListedJGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like, including the communication concerning the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like, and accounts to be used for the settlement of Funds; and

- (4) To conduct periodic training based on the agreement set forth in Item (1) assuming the situation in which the Listed JGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and the claims and obligations related to Interest Rate Futures Cleared Contracts and the like is effected.

#### Article 28. Requirements for Clearing

1 The requirements prescribed under Article 49.1 of the Business Rules shall be that the Eligible IRS Transaction described in Article 49.1 of the Business Rules satisfies both of the following conditions, or, in the case of the Eligible IRS Transaction executed between Clearing Brokers, it satisfies Item (1) below:

- (1) Requirements set forth in Article 9 hereof are met; and
- (2) In respect of a request for Clearing set forth in Paragraph 2 below, no date during the period from the day on which JSCC confirms the satisfaction of the Clearing Requirements in accordance with Article 49.1 of the Business Rules to the next JSCC Business Day falls on a Payment Date or the settlement date of the Upfront Fee.

In addition, the Eligible IRS Transaction described in Article 49.1 of the Business Rules which comprises a part of a Package Trade should also satisfy both of the following conditions:

- (3) In respect of the Eligible IRS Transactions which comprise a Package Trade, the parties are the same for each of such Eligible IRS Transaction, and such Eligible IRS Transaction satisfies other requirements prescribed by JSCC in a notification or a public notice; and
- (4) Information necessary to identify the Package Trade of which it comprises a part is attached.

2 JSCC shall confirm the satisfaction of the Clearing Requirements in accordance with Article 49.1 of the Business Rules in the following manner according to the below-listed classification of the request for Clearing:

- (1) Request for Clearing of Backload Transaction:  
By 8:00 a.m. on the date of receipt of the request for Clearing;
- (2) Request for Clearing of Transaction other than Backload Transaction:

Promptly after its receipt of the request for Clearing, or, for a Package Trade, its receipt of the request for Clearing of all Eligible IRS Transactions comprising the Package Trade..

3 The time prescribed under Article 49.1 of the Business Rules shall be the time when JSCC confirms the satisfaction of the Clearing Requirements in accordance with Article 49.1 of the Business Rules, including such confirmation carried out during the time temporarily changed pursuant to Article 49.4.

4 The calculation method prescribed under Article 49.1 of the Business Rules shall be set forth in Appendix 2 attached hereto.

5 The amount prescribed under Article 49.1.(1) of the Business Rules shall be the amount set forth in Appendix 3 attached hereto.

6 The cap prescribed under Article 49.1.(2) of the Business Rules shall be JPY 1 billion.

7 The method prescribed under Article 49.1.(2).b. of the Business Rules shall be a notification via the IRS Clearing System, and contents of the notification shall be reflected on the next JSCC Business Day following the date of notification.

~~58~~ The notification of JSCC as set forth in Article 49.2 and 49.3 of the Business Rules shall be given as soon as possible in line with the provisions of CFTC Regulation 39.12 (b)(7)(ii) and (iii).

~~96~~ Notwithstanding the provisions of Paragraph 5, JSCC will give notice set forth in Articles 49.2 and 49.3 of the Business Rules concerning the request for Clearing received by JSCC pursuant to the provisions of Article 27.3 at or after 8:05 a.m. as soon as possible on the date of receipt of the notification of request for such Clearing.

~~107.~~ In the event of a failure of the IRS Clearing System or any other necessary system of JSCC or other institution for the IRS Clearing Business or when JSCC deems it extremely necessary for any other reason, JSCC may change the time during which it will receive requests for Clearing. When JSCC changes such time, JSCC shall notify the Clearing Participants of the new time without delay.

#### Article 35-5. Hedge Account and Non-Hedge Account

For the purpose of Article 59.7 of the Business Rules, if the Customer mainly trades hedging

transactions (such term has the same meaning as the “hedging transaction” as used in CFTC Regulation 1.3 ~~(kkk) and (z)~~), the account of such Customer shall be a Hedge Account, and if the Customer mainly trades for purposes other than hedge transactions, the account of such Customer shall be Non-hedge Account, and the notification to JSCC shall be made under Article 59.7 of the Business Rules accordingly.

#### Article 37. Return of Initial Margin at Termination of Clearing Brokerage Contract

- 1 Under Article 76.3 of the Business Rules, a Customer may claim the return of Initial Margin when all the Clearing Brokerage Contracts were terminated in accordance with the Clearing Brokerage Agreement, except for the case where JSCC declared the Default of the Clearing Broker with whom such Customer has executed the Clearing Brokerage Agreement.
- 2 In the case of Paragraph 1, JSCC shall deliver the entire amount of Initial Margin deposited by the Customer to its Clearing Broker.
- 3 A Clearing Broker shall apply Initial Margin in the form of Cash delivered by JSCC pursuant to Paragraph 2 remaining after deduction of costs required for conversion to another currency, and the amount of Cash equal to the market value used in the calculation of the appraisal value of Initial Margin in the form of Eligible Securities Collateral delivered by JSCC pursuant to Paragraph 2 or its liquidation proceeds remaining after deduction of cost of the liquidation, to a performance of the outstanding obligations of the Customer to that Clearing Broker in connection with the Clearing Brokerage Contracts (including the outstanding obligations arising out of the termination of the Clearing Brokerage Contracts) and obligations of the Customer owed to the Clearing Broker in connection with the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on the Customer Account in accordance with the Clearing Brokerage Agreement, and return the remaining amount to the Customer.

#### Article 42-2. Notification of Using Cross Margining

1 A notification to JSCC under Article 84-2.1 of the Business Rules shall be given by a submission to JSCC of a notification form prescribed by JSCC stating the below-listed details of each person specified below. The Clearing Participant intends to submit the notification must have agreed with the persons listed in Items (2), (3) and (4) to the utilization of Cross Margining by the person listed in Item (3):

- (1) Clearing Participant
  - a. Trading name or company name (including the trading name or company name in English);
  - b. Address of its headquarters or principal office; and
  - c. Name of the representative.

- (2) JGB Futures Clearing Participant which will be Cross Margining Requestor:  
Matters listed in Item (1).a. through c.;
- (3) Person to be a Cross Margining User  
Matters listed in Item (1).a. through c.; and
- (4) JGB Futures Non-Clearing Participant to whom the person to become Cross Margining User requests brokerage of JGB Futures Contracts or Interest Rate Futures Contracts:  
Matters listed in Item (1).a. through c.

However, matters listed under Item (4) need not be notified unless the person to become Cross Margining User falls on the criteria set forth in Article 2.1.(13)-~~98~~.d. of the Business Rules.

- 2 When a Clearing Participant is not affiliated to the JGB Futures Clearing Participant which will become the Cross Margining Requestor and the Customer is not the JGB Futures Clearing Participant, the Clearing Participant may not submit a notification under this Article 42-2 in respect of such Customer, as a person to be a Cross Margining User described in Paragraph 1.(3).
- 3 A Clearing Participant may not submit a notification under this Article 42-2 in respect of any person who has already been a Cross Margining User, as a person to be a Cross Margining User described in Paragraph 1.(3).
- 4 The documents considered necessary by JSCC shall be attached to the notification set forth in Paragraph 1.

#### Article 42-3. Change in Notified Matters for Use of Cross Margining

A notification to be given to JSCC under Article 84-2.2 of the Business Rules shall be given by a submission of the notification form prescribed by JSCC together with the documents considered necessary by JSCC. When changing any of the persons listed in below items related to a Cross Margining User through such notification, the Clearing Participant submitting the notification form must have agreed with the person who will fall on below-listed items after change and the relevant Cross Margining User to the use of the Cross Margining by such Cross Margining User.

- (1) Cross Margining Requestor; or
- (2) JGB Futures Non-Clearing Participant to which the Cross Margining User requests brokerage of JGB Futures Contracts or Interest Rate Futures Contracts.

Article 42-6. Conditions of Accepting Cross Margining

- 1 The conditions to be prescribed by JSCC under Article 84-4.1 of the Business Rules shall be JSCC's confirmation in respect of the Clearing Participant which is the Cross Margining User for the relevant Cross Margining Request to the effect that the amount equivalent to Required Initial Margin for Proprietary Cleared Contracts as of the time of the request calculated in the same manner set forth in Appendix 2.1.(1) on an assumption of covering Positions in JGB Futures Contracts and Positions in Interest Rate Futures Contracts subject to the relevant Cross Margining Request under Cross Margining is less than the amount equivalent to the Required Initial Margin for the Proprietary Cleared Contracts as of the time of the request calculated in the same manner set forth in Appendix 2.1.(1) without regard to the said Positions. For the calculation of the amount equivalent to Initial Margin above, if sudden change in market environment occurs or otherwise JSCC deems necessary from viewpoint of ensuring proper execution of its IRS Clearing Business, such amount may be changed temporarily.
- 2 The provisions of Paragraph 1 shall apply to the case where a Customer is a Cross Margining User, except that any reference to "Clearing Participant" shall be "Customer," any reference to "Appendix 2.1.(1)" shall be "Appendix 2.1.(2)" and any reference to "Proprietary Cleared Contract(s)" shall be "Customer's Cleared Contract(s)."

Article 42-7. Recording Positions in JGB Futures Contracts and Interest Rate Futures Contracts on Clearing Participant Account

- 1 The conditions to be prescribed by JSCC under Article 84-4.3 of the Business Rules shall be JSCC's confirmation in respect of the Clearing Participant which is the Cross Margining User for the relevant Cross Margining Request of either of the following:
  - (1) On the date of acceptance of the cross margining (referred to as "Cross Margining Acceptance Date" in this Article and Article 42-8), the Clearing Participant has deposited with JSCC Cash or Eligible Securities Collateral in the amount at least equal to the Required Initial Margin calculated for the Proprietary Account of the relevant Clearing Participant plus or minus, as applicable, the required amount of Variation Margin, (or, for Variation Margin for Foreign Currency Cleared Contracts, JPY amount obtained by conversion of such required amount of Variation Margin into Japanese yen by using foreign exchange rate prescribed by JSCC through a public notice) and the required amount of Mark-to-Market Difference (or, for Mark-to-Market Difference for Foreign Currency Cleared Contracts, JPY amount obtained by conversion of such required amount of Mark-to-Market Difference into Japanese yen by using foreign exchange rate prescribed by JSCC through a public notice), plus the sum of the amount calculated by converting the Unpaid Amount for the relevant Clearing Participant into Japanese yen pursuant to the provisions of Article 43-3.1 and the amount calculated by converting the Settlement Amount related to the Foreign

Currency Cleared Contracts recorded on the Proprietary Account for which the Payment Date is the relevant Cross Margining Acceptance Date into Japanese yen using foreign exchange rate prescribed by JSCC through a public notice; or

- (2) On the next JSCC Business Day following the Cross Margining Acceptance Date, the Clearing Participant has satisfied the Clearing Requirements set forth in Article 49 of the Business Rules applicable had it applied for Clearing to JSCC pursuant to the provisions of Article 48 of the Business Rules.
- 2 The provisions of Paragraph 1 shall apply when the Cross Margining User is a Customer, except that “the Proprietary Account established for the relevant Clearing Participant” in Item (1) shall be “the Customer Account established for the Customer who is a Cross Margining User for which the Clearing Participant acts as Clearing Broker,” any reference to “deposit” in Item (1) shall be “deposit or delivery,” and “had it applied for Clearing to JSCC” in Item (2) shall be “had it applied for Clearing to JSCC at a request of the Customer.”

Article 42-8. Deletion of Positions of Cross Margined JGB Futures Cleared Contracts and Positions of Cross Margined Interest Rate Futures Cleared Contracts from Clearing Participant Account

- 1 The deletion of record on a Clearing Participant Account under Article 84-4.4 of the Business Rules shall be made if and when JSCC confirms satisfaction of any one of the following conditions:
  - (1) Conditions set forth in Article 42-7.1.(1) (including such provision as being applied pursuant to the provisions of Article 48-7.2) on the next JSCC Business Day following the Cross Margining Acceptance Date;
  - (2) Conditions set forth in Article 42-7.1.(1) (including such provision as being applied pursuant to the provisions of Article 48-7.2) on the second JSCC Business Day following the Cross Margining Acceptance Date; or
  - (3) Conditions set forth in Article 42-7.1.(2) (including such provision as being applied pursuant to the provisions of Article 48-7.2) on the second JSCC Business Day following the Cross Margining Acceptance Date.
2. Notwithstanding the provisions of Paragraph 1, when a new Cross Margining Request has been submitted and accepted on the next JSCC Business Day following the Cross Margining Acceptance Date, the record shall be deleted upon confirmation by JSCC of the conditions set forth in Article 42-7.

Article 42-10. Notification of Customer Buffer Utilization



The manner to be prescribed by JSCC as set forth in Articles 84-6.1 ~~through~~ 84-6.42 of the Business Rules shall be the utilization of the IRS clearing system.

#### Article 42-11. Utilization of Customer Buffer

1 An allocation of the Customer Buffer to a Customer Account as set forth in Article 84-7.1 of the Business Rules shall be made in the order of JSCC's receipt of the notification of request for brokerage of clearing as set forth in Article 54.1 of the Business Rules, including the case where such provisions apply *mutatis mutandis* under Article 54-2.1 of the Business Rules.

2 The order of an allocation of the Customer Buffer to Customer Accounts set forth in Article 84-7.2 of the Business Rules shall be from the Customer Account with the smallest Intraday Margin Shortfall under Article 84-7.2.

3 The timing to be prescribed under Article 84-7.3 of the Business Rules shall be at the time of calculation of Intraday Margin and just before 5:30 p.m.

4 The amount to be prescribed as the amount equivalent to Margin Required to Clear under Article 84-7.3 of the Business Rules shall be the amount equivalent to Margin Required to Clear as of 5:30 p.m. with respect to Cleared Contracts on each Customer Account just before 5:30 p.m. on the date of calculation.

5 The timing to be prescribed by JSCC as set forth in Article 84-7.42 of the Business Rules shall be just before 7:00 p.m.

#### Article 47-4. Reporting Terms and Conditions of Cleared Contracts

1 JSCC shall report the terms, conditions and other data required for its compliance with the laws, regulations of the relevant foreign countries and orders, notifications of, or other means of exercise of the administrative authorities by, the relevant Foreign Government and the like, or agreements with the relevant Foreign Government and the like, which JSCC prescribes in the public notice, to the Foreign Government and the like designated by JSCC in the public notice or entities engaging in a type of business operations similar to the trade data depository business designated by the relevant Foreign Government and the like. For the purpose of this paragraph, "Foreign Government and the like" means governments, government agencies, local governments and central banks from which JSCC received registration, authorization, designation or other license, or exemption therefrom for its performance of the IRS Clearing service. Pursuant to the provisions of CFTC Regulation Part 39.19(c)(1), JSCC shall report to CFTC (i) information on Cleared Contracts and their Notional Amounts, (ii)



~~Required Initial Margin, (iii) Initial Margin Deposited Amount, (iv) required amount of Variation Margin and (v) Settlement Amount, by Proprietary Account and each Customer Account on each JSCC Business Day.~~

~~2 Pursuant to Section (9) (a) of the Amended Order of Exemption from Registration dated May 15, 2017 issued by CFTC under U.S. Commodity Exchange Act Section 5b(h) (hereinafter referred to as the "Amended Exemption Order"), JSCC shall report to CFTC on each JSCC Business Day information on Required Initial Margin, Initial Margin deposited amount, Required Variation Margin and other information concerning the Cleared Contracts of U.S. Persons.~~

~~3 Pursuant to Section (9)(b) of the Amended Exemption Order, JSCC shall report to CFTC quarterly information on Notional Amount and other information concerning the Cleared Contracts of U.S. Persons.~~

~~4 Pursuant to Section (10) of the Amended Exemption Order, JSCC shall report to Swap Data Repository (as such term defined in Commodity Exchange Act Section 1a (48)) (hereinafter referred to as "SDR") information on parties to Cleared Contracts and Customers that are the parties to Customers' Cleared Contracts, Notional Amounts and other information on Cleared Contracts.~~

~~5 Clearing Participants shall not file reports related to Cleared Contracts under CFTC Regulation Part 45 to Swap Data Repository (as such term defined in Commodity Exchange Act Section 1a (48)) (hereinafter referred to as "SDR").~~

~~36 Clearing Brokers shall make efforts to prevent its Customers from filing reports set forth in Paragraph 4 above related to Cleared Contracts subject to Brokerage (as such term defined in Article 2.(1) of Exhibit Form 3 "Interest Rate Swap Clearing Brokerage Agreement" or Article 2. (1) of Exhibit Form 3-2 "Interest Rate Swap Clearing Brokerage Agreement") to SDR.~~

~~7 Pursuant to Condition 5 of the Notice of Authorization to Provide Automated Trading Services (hereinafter referred to as the "ATS Authorization Notice") dated August 31, 2016 issued by Securities and Futures Commission (hereinafter referred to as "HK SFC") in accordance with Section 95(2) of the Securities and Futures Ordinance (hereinafter referred to as "SFO"), JSCC shall report to HK SFC quarterly information on the number of trades, notional amounts, Required Initial Margin, Initial Margin deposited amount, IRS Clearing Fund amount deposited with JSCC and other information concerning the Cleared Contracts of each Hong Kong Clearing Member (as such term defined in Condition 1.1 of the ATS Authorization Notice).~~

~~8 Pursuant to Condition 4 of the Notice of Designation dated August 31, 2016 issued by HK SFC in accordance with Section 101J(1) of SFO, JSCC shall report to HK SFC monthly~~

~~information mentioned in Paragraph 7 above.~~

~~9 Pursuant to the provisions of SFO and the Securities Futures (OTC Derivatives Transactions Reporting and Record Keeping Obligations) Rules, JSCC shall report to the Hong Kong Monetary Authority information on the party to the Cleared Contracts (or, in respect of the Customer's Cleared Contracts, the Customer who is a party to the relevant Clearing Brokerage Contract) as well as notional amount and other information related to the Cleared Contracts.~~

#### Supplementary Provision

1. These amendments shall come into force as of March 4, 2024.

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 March 4, 2024.

## <Appendix 2> Required Initial Margin Calculation Method

### 1. Required Initial Margin

(1) Required Initial Margin arising from Proprietary Cleared Contract (other than the case specified in Item (1)-2 below)

- a. The Required Initial Margin arising from a Proprietary Cleared Contract shall be obtained in respect of the Net Present Values, respectively, of the JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts of the Proprietary Account as of 4:00 p.m. (or, when JSCC confirmed the satisfaction of Per Trade Compression Conditions pursuant to the provisions of Article 53.2 of the Business Rules, as of the time of such confirmation, or, when JSCC confirmed the satisfaction of Blended Rates Compression Conditions pursuant to the provisions of Article 53-2.2 of the Business Rules, as of the time of such confirmation, or, when JSCC confirmed the satisfaction of Member-Initiated Compression Conditions pursuant to the provisions of Article 53-2-3.2 of the Business Rules, as of the time of such confirmation, or, when JSCC confirmed the satisfaction of JSCC-Initiated Compression Conditions pursuant to the provisions of Article 53-2-4.4 of the Business Rules, as of the time of such confirmation, or, when accepting an application for Position Transfer or transfer from a Clearing Participant in accordance with the provisions of Article 53-4.1, Article 58-3.1, Article 58-5.1 or Article 58-7.1 of the Business Rules, as of the time of such acceptance; the same applies in this Appendix 2) on the date of the calculation calculated by using the Clearing Yield Curve as of 3:02 p.m. (or as of 11:02 a.m. for EUR Cleared Contracts) on the same date and the present value obtained based on the Settlement Price of the Position of the JGB Futures Contract and the Position of the Interest Rate Futures Contracts with respect of which Cross Margining Acceptance has been given by the Clearing Participant with respect to the relevant Proprietary Account by 6:30 on the date of calculation calculated using the Clearing Price on the same date (hereinafter referred to as “Futures Clearing Price Value”), and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest. However, the Required Initial Margin arising from a Proprietary Cleared Contract may be changed at any time temporarily, when JSCC determines that drastic market change has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC’s IRS Clearing Business.
  - (a) Fluctuation of Net Present Value calculated based on the Estimated Fluctuation Yield Curve or fluctuation of the Futures Clearing Price Value calculated based on the Estimated Fluctuation Price; and

(b) Amount prescribed by JSCC in a public notice among the fluctuation of Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation Yield Curve or the fluctuation of the Futures Clearing Price Value calculated based on Stress Event Scenario Estimated Fluctuation Price.

For the purpose of above (a) and (b), the fluctuation of Net Present Value for Foreign Currency Cleared Contracts shall be obtained by reflecting fluctuation of historical foreign exchange rates on the fluctuation of the Net Present Value so calculated.

- b. The “Estimated Fluctuation Yield Curve” set forth in 1.(1)a.(a) above shall be obtained in respect of the quote of the IRS Transaction, etc. used for obtaining the Clearing Yield Curve on the date of the calculation, if such quote fluctuates with the same range as the fluctuation range over five (5) days of the quote of IRS Transaction, etc. used for obtaining the daily Clearing Yield Curve over the last 1,250 JSCC Business Days counted from the date of the calculation. Past fluctuation ranges shall be adjusted by the method prescribed by JSCC through the public notice.
- c. The “Estimated Fluctuation Price” set forth in 1.(1)a.(a) above shall be obtained assuming if the Clearing Price on the date of calculation fluctuates with the same range as the fluctuation range over five (5) days of daily Settlement Price over the last 1,250 JSCC Business Days counted from the date of the calculation. Past fluctuation ranges shall be adjusted by the method prescribed by JSCC through the public notice.
- d. The “Stress Event Scenario Estimated Fluctuation Yield Curve” set forth in 1.(1)a.(b) above shall be obtained in respect of the quote of the IRS Transaction, etc. used for obtaining the Clearing Yield Curve on the date of the calculation, if such quote fluctuates with the same range as the fluctuation range over five (5) days of the quote of IRS Transaction, etc. used for obtaining the daily Clearing Yield Curve over the period of time prescribed by JSCC in a public notice.
- e. The “Stress Event Scenario Estimated Fluctuation Price” set forth in 1.(1)a.(b) above shall be obtained assuming if the Clearing Price on the date of calculation fluctuates with the same range as the fluctuation range over five (5) days of the daily Clearing Price over the period of time prescribed by JSCC in a public notice.
- f. The fluctuation of foreign exchange rate set forth in 1.(1)a. shall be obtained assuming if, in respect of daily quote obtained at 3:00 p.m. in the manner prescribed by JSCC in a public notice, the quote of foreign exchange rate on the date of calculation fluctuates with the same range as the fluctuation range over five (5) days over the last 1,250 JSCC Business Days counted from the date of the calculation. Past fluctuation ranges shall be adjusted by the method prescribed by JSCC through the public notice.
- g. When a Foreign Currency Cleared Contract is recorded on the Proprietary Account, on the second JSCC Business Day preceding the day which is a Foreign Currency Home Business Day related to the relevant Foreign Currency Cleared Contract but

is a Business Holiday, the amount calculated based on the provisions of 1.(1)a. to f. above by replacing the references to “the fluctuation range over five (5) days” in 1.(1)a. to f. with “the fluctuation range over the period during which Foreign Currency Home Business Day related to the Foreign Currency Cleared Contract recorded on the Proprietary Account falls on Business Holiday” shall be added to the Required Initial Margin Amount obtained based on 1.(1)a. to f.

- h. When a Foreign Currency Cleared Contract is recorded on the Proprietary Account, on the JSCC Business Day immediately preceding the date which is the Foreign Currency Home Holiday related to the relevant Foreign Currency Cleared Contract, but is the JSCC Business Day, the amount equivalent to the required amount of Variation Margin or the required amount of Mark-to-Market Difference in respect of the Proprietary Account calculated as if such Foreign Currency Home Holiday is the JSCC Business Day converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice shall be added to or deducted from the Required Initial Margin obtained pursuant to the provisions of 1.(1)a. to f.

(1)-2 Required Initial Margin arising from Proprietary Cleared Contract (when new Proprietary Cleared Contract is executed during the period from 5:30 p.m. to 7:00 p.m.)

a. The Required Intraday Margin of a Proprietary Cleared Contract shall be the amount equivalent to the Initial Margin calculated for the Proprietary Cleared Contracts on the Proprietary Account as at 7:00 p.m. on the date of the calculation adjusted by the amount equivalent to the Variation Margin/Mark-to-Market Difference. However, the Required Initial Margin arising from a Proprietary Cleared Contract may be changed at any time temporarily, when JSCC determines that drastic market change has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC’s IRS Clearing Business.

b. The “amount equivalent to the Initial Margin” set forth in a. above shall be the amount obtained in respect of the Net Present Values, respectively, of the JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts of the Proprietary Account as of 7:00 p.m. on the date of the calculation referred to in a. above calculated by using the Clearing Yield Curve as of 3:02 p.m. (or as of 11:02 a.m. for EUR Cleared Contracts) on the same date and the Futures Clearing Price Value of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on that Proprietary Account, and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest.

- (a) Fluctuation of the Net Present Value calculated based on the Estimated Fluctuation Yield Curve set forth in (1).a.(a) (reflecting historical fluctuation of foreign exchange rate set forth in (1).f for Foreign Currency Cleared Contracts)

- or fluctuation of Futures Settlement Price Value calculated based on the Estimated Fluctuation Price set forth in (1).c.; and
- (b) Amount prescribed by JSCC in a public notice among the fluctuation of Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation Yield Curve set forth in (1).a.(b) (reflecting historical fluctuation of foreign exchange rate set forth in (1).f. for Foreign Currency Cleared Contracts) or the fluctuation of Futures Settlement Price Value calculated based on Stress Event Scenario Estimated Fluctuation Price set forth in (1).e.

c. The “amount equivalent to the Variation Margin/Mark-to-Market Difference” set forth in (1)-2.a. above shall be the sum total of the difference, calculated by each currency of the Cleared Contract, between the Net Present Value in respect of the Cleared Contracts as at 4:00 p.m. on the date of calculation calculated based on the Clearing Yield Curve as at 3:02 p.m. (or, in respect of EUR Cleared Contracts, 5:30 p.m.) on the same day and the Net Present Value in respect of the Cleared Contracts as at 7:00 p.m. on the date of calculation calculated based on the Clearing Yield Curve as at 3:02 p.m. on the same day, converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice if Cleared Contracts are Foreign Currency Cleared Contracts.

d. The provisions of (1).g shall apply *mutatis mutandis* to the calculation of the Required Initial Margin under this Item (1)-2, whereby “the amount calculated based on the provisions of 1.(1)a. to f. above” referred to in Section (1).g shall be replaced with “the amount calculated based on the provisions of 1.(1)-2 a to c” and “Required Initial Margin obtained based on 1.(1)a. to f” referred to in Section (1).g shall be replaced with “Required Initial Margin obtained based on 1.(1)-2 a. to c.”

e. The provisions of (1).h shall apply *mutatis mutandis* to the calculation of the Required Initial Margin under this Item (1)-2, whereby “Required Initial Margin obtained based on 1.(1)a. to f” referred to in Section (1).h shall be replaced with “Required Initial Margin obtained based on 1.(1)-2.a. to c.”

(2) Required Initial Margin of Customer's Cleared Contract (limited to those related to Customers other than Customers set forth in Article 94.1 and 94-2.1 of the Business Rules)

The provisions of Section 1.(1) and Section 1.(1)-2 above shall apply *mutatis mutandis* to the calculation of Required Initial Margin of the Customer's Cleared Contract, whereby “the Proprietary Cleared Contracts” referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with “the Customer Cleared Contracts” and “the Proprietary Account” referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with “each Customer Account”.

(3) Required Initial Margin of 'Customer's Cleared Contract (limited to those related to Customers set forth in Article 94.1 and 94-2.1 of the Business Rules ) (excluding such Required Initial Margin related to Non-hedge Account)

The provisions of Section 1.(1) and Section 1.(1)-2 shall apply *mutatis mutandis* to the calculation of Required Initial Margin set forth in this item, whereby "the Proprietary Cleared Contract" referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with "the Customer Cleared Contract," "the Proprietary Account" referred in Section 1.(1) and Section 1.(1)-2 above shall be replaced with "each Customer Account," and "the fluctuation range over five (5) days" in the said items shall be replaced with "the fluctuation range over seven (7) days" (the Estimated Fluctuation Yield Curve in this item shall be hereinafter referred to as the "Special Estimated Fluctuation Yield Curve," the Stress Event Scenario Yield Curve in this item shall be hereinafter referred to as the "Stress Event Scenario Special Estimated Fluctuation Yield Curve," the Estimated Fluctuation Price in this item shall be hereinafter referred to as the "Special Estimated Fluctuation Price" and the Stress Event Scenario Estimated Fluctuation Price in this item shall be hereinafter referred to as the "Stress Event Scenario Special Estimated Fluctuation Price").

(4) Required Initial Margin related to Non-hedge Account

It shall be the Required Initial Margin obtained pursuant to the provisions of the main body of the immediately preceding item multiplied by 1.1(one point one).

## 2. Required Intraday Margin

(1) Required Intraday Margin of Proprietary Cleared Contract

a. The Required Intraday Margin of a Proprietary Cleared Contract shall be the amount equivalent to the Initial Margin calculated for the Proprietary Cleared Contracts of the Proprietary Account as at the noon on the date of the calculation adjusted by the amount equivalent to the Variation Margin/Mark-to-Market Difference. However, the Required Intraday Margin of a Proprietary Cleared Contract may be changed at any time temporarily, when JSCC determines that a significant market move has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC's IRS Clearing Business.

b. The "amount equivalent to the Initial Margin" set forth in 2.(1)a. above shall be obtained in respect of the Net Present Values of JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts on the Proprietary Account calculated by using the Clearing Yield Curve based on the quote as at 11:02 a.m. on the date of calculation set forth in 2.(1).a. above and the present value calculated based on the contract price of the Cross Margined JGB Futures Cleared Contracts and the Cross Margined Interest Rate

Futures Cleared Contracts recorded on the Proprietary Account on the date of calculation (hereinafter referred to as the “Futures Settlement Price Value”), and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest. For the purpose of this paragraph and Paragraph 3, the contract price shall be the price obtained as “Intraday Settlement Price” set forth in Article ~~20-423~~ of the Rules on Margins, etc. for Futures and Option Contracts for the Securities and Similar Contracts Clearing Business which JSCC engages in.

- (a) Fluctuation of the Net Present Value calculated based on the Estimated Fluctuation Yield Curve set forth in 1.(1).b. (reflecting historical fluctuation of foreign exchange rate set forth in 1.(1).f for Foreign Currency Cleared Contracts), ~~or~~ fluctuation of Futures Settlement Price Value calculated based on the JGB Futures Estimated Fluctuation Price set forth in 1.(1).c. or fluctuation of Futures Settlement Price Value calculated based on the Interest Rate Futures Estimated Fluctuation Price set forth in 1.(1).c.; and
- (b) Amount prescribed by JSCC in a public notice among the fluctuation of Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation Yield Curve set forth in 1.(1).d. (reflecting historical fluctuation of foreign exchange rate set forth in 1.(1).f for Foreign Currency Cleared Contracts) or the fluctuation of Futures Settlement Price Value calculated based on Stress Event Scenario Estimated Fluctuation Price set forth in 1.(1).e.

c. The “amount equivalent to the Variation Margin/Mark-to-Market Difference” set forth in 2.(1)a. above shall be obtained in respect of the Cleared Contracts as at 4:00 p.m. on the JSCC Business Day immediately preceding the date of calculation, and shall be the sum total of the difference, calculated by each currency of the Cleared Contract, between the Net Present Value calculated based on the Clearing Yield Curve as at 3:02 p.m. (or, in respect of EUR Cleared Contracts, 5:30 p.m. (or 4:30 p.m. when day light saving time is in effect in London)) on the same day and the Net Present Value calculated based on the Clearing Yield Curve as at 11:02 a.m. on the date of calculation of the Cleared Contract set forth in 2.(1)a. above, converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice if Cleared Contracts are Foreign Currency Cleared Contracts.

d. The provisions of 1.(1).g shall apply *mutuatis mutandis* to the calculation of of the Required Intraday Margin, whereby “on the second JSCC Business Day preceding the day which is a Foreign Currency Home Business Day” referred to in Section 1.(1).g shall be replaced with “on the JSCC Business day immediately preceding the day which is a Foreign Currency Home Business Day,” “the amount calculated based on the provisions of 1.(1).a. to f. above” referred to in Section (1).g shall be replaced with “the amount calculated based on the provisions of 2.(1).a. to c.” and “Required Initial Margin obtained based on 1.(1)a. to f” referred to in Section (1).g shall be replaced with “Required Intraday Margin obtained based on 2.(1).a. to c.”



e. The provisions of 1.(1).h shall apply *mutatis mutandis* to the calculation of of the Required Intraday Margin, whereby “on the JSCC Business Day immediately preceding the date which is the Foreign Currency Home Holiday” referred to in Section 1.(1).h shall be replaced with “on the JSCC Business day which is a Foreign Currency Home Holiday” and “Required Initial Margin obtained based on 1.(1).a. to f.” referred to in Section (1).h shall be replaced with “Required Intraday Margin obtained based on 2.(1).a. to c.”

(2) Required Intraday Margin of Customer’s Cleared Contract (limited to those related to Customers other than Customers set forth in Article 94.1 of the Business Rules)

The provisions of Section 2.(1) above shall apply *mutatis mutandis* to the calculation of Required Intraday Margin of the Customer’s Cleared Contract, whereby “the Proprietary Account” referred in Section 2.(1) above shall be replaced with “each Customer Account”.

(3) Required Intraday Margin of Customer’s Cleared Contract (limited to those related to Clearing Customers set forth in Article 94.1 of the Business Rules ) (excluding such Required Intraday Margin related to Non-hedge Account)

The provisions of Section 2.(1) shall apply *mutatis mutandis* to the calculation of Required Intraday Margin set forth in this item, whereby “the Proprietary Account” referred in Section 2.(1) above shall be replaced with “each Customer Account,” “Estimated Fluctuation Yield Curve set forth in Section 1.(1)b. above” in the said item shall be replaced with “Special Estimated Fluctuation Yield Curve set forth in Section 1.(3) above,” “Stress Event Scenario Estimated Fluctuation Yield Curve” shall be replaced with “Stress Event Scenario Special Estimated Fluctuation Yield Curve set forth in Section 1.(3) above,” “Estimated Fluctuation Price” in the said item shall be replaced with “Special Estimated Fluctuation Price set forth in Section 1.(3) above” and “Stress Event Estimated Fluctuation Price” in the said item shall be replaced with “Stress Event Special Estimated Fluctuation Price set forth in Section 1.(3).”

(4) Required Intraday Margin related to Non-hedge Account

It shall be the Required Intraday Margin obtained pursuant to the provisions of the the immediately preceding item multiplied by 1.1(one point one).

### 3 Margins Required to Clear

(1) Margins Required to Clear of Proprietary Cleared Contract

a. The Margins Required to Clear of a Proprietary Cleared Contract shall be the amount equivalent to the Initial Margin calculated for the Cleared Contracts of the Proprietary Account as at the time of receipt by JSCC of the notification of application for Clearings set forth in Article 48.1 of the Business Rules (referred to as “Application Receipt Timing” in this

Paragraph 3) and adding the Eligible IRS Transaction subject to the relevant application (or in case of an application for Clearing related to a Package Trade, all Eligible IRS Transactions comprising the Package Trade) and for the Position of JGB Futures Contracts and Interest Rate Futures Contracts for which Cross Margining Acceptance has been given by the Clearing Participant in respect of the Proprietary Account by 6:30 p.m. on the JSCC Business Day immediately preceding the date of calculation, adjusted by the amount equivalent to the Variation Margin/Mark-to-Marked Difference, and further adding the Unsettled Amount (meaning the absolute value of the net amount obtained pursuant to the provisions of Article 85-2.1.(1) of the Business Rules if such amount is negative), and the Japanese yen equivalent of Variation Margin, excluding Unpaid Amount, related to the Foreign Currency Cleared Contracts of which deposit or payment has not been completed as of the Application Receipt Timing calculated by using foreign exchange rate prescribed by JSCC in a public notice. However, the Required Margin at Clearing may be changed at any time temporarily, when JSCC determines that drastic market change has occurred or otherwise determines it necessary to do so in order to ensure the continued protection of the JSCC's IRS Clearing Business.

b. The "amount equivalent to the Initial Margin" set forth in 3.(1)a. above shall be obtained in respect of the Net Present Values of the JPY Cleared Contracts, AUD Cleared Contracts, USD Cleared Contracts and EUR Cleared Contracts on the Proprietary Account calculated by using the Clearing Yield Curve based on the quote as at 11:02 a.m. of the date of receipt of the application for Clearings referred to in 3.(1)a. above (referred to as the "Application Receipt Date" in the Paragraph 3) (or, if the application for Clearings is received during the period from 9:00 a.m. to noon or the application set forth in Article 27.3 is received, as at 3:02 p.m. on the JSCC Business Day immediately preceding such Application Receipt Date, or, if the application for Clearings is received during the period from 5:30 p.m. to 7:00 p.m., as at 3:02 p.m. (or 11:02 a.m. for EUR Cleared Contracts) on such Application Receipt Date) and the present value (hereinafter referred to as the "Futures Intraday Value") calculated based on the contract price on the date of calculation of the Position of JGB Futures Contracts and Interest Rate Futures Contracts for which Cross Margining Acceptance has been given in respect of the Clearing Participant's Proprietary Account by 6:30 p.m. on the JSCC Business Day immediately preceding the date of calculation (or, if the application for Clearing is received during the period from 9:00 a.m. to noon or the application set forth in Article 27.3 is received, the settlement price on the JSCC Business Day immediately preceding the Application Receipt Date), and shall be the average of top 12 values of negative fluctuations set forth in (a) and (b) below whose absolute value is the largest:

- (a) Fluctuation of the Net Present Value calculated based on the Estimated Fluctuation Yield Curve set forth in Section 1.(1).b, reflecting the fluctuation of the historical foreign exchange rate for Foreign Currency Cleared Contracts, or fluctuation of the Futures Intraday Value calculated based on the Estimated Fluctuation Price set forth in Section 1.(1).c; and

(b) Amount prescribed by JSCC in a public notice among the fluctuation of the Net Present Value calculated based on Stress Event Scenario Estimated Fluctuation Yield Curve set forth in Section 1.(1)d, reflecting the fluctuation of the historical foreign exchange rate for Foreign Currency Cleared Contracts, or the fluctuation of the Futures Intraday Value calculated based on the Stress Event Scenario Estimated Fluctuation Price set forth in Section 1.(1).e.

c. The “amount equivalent to the Variation Margin/Mark-to-Market Difference” set forth in 3.(1)a. above shall be obtained in respect of the Cleared Contracts as at 4:00 p.m. on the day immediately preceding the Application Receipt Date, and shall be the difference between the Net Present Value calculated by each currency of the Cleared Contracts based on the Clearing Yield Curve as at 3:02 p.m. on the the JSCC Business Day immediately preceding the Application Receipt Date and the Net Present Value calculated by each currency of the Cleared Contracts based on the Clearing Yield Curve as at 11:02 a.m. on the same day (or, if the application for Clearings is received during the period from 9:00 a.m. to noon or the application set forth in Article 27.3 is received, the Clearing Yield Curve as at 3:02 p.m. on the JSCC Business Day immediately preceding such Application Receipt Date, or, if the application for Clearings is received during the period from 5:30 p.m. to 7:00 p.m., as at 3:02 p.m. (or 11:02 a.m. for EUR Cleared Contracts) on such Application Receipt Date), converted into Japanese yen using the foreign exchange rate prescribed by JSCC in a public notice for Foreign Currency Cleared Contracts.

d. The provisions of 1.(1).g shall apply *mutuatis mutandis* to the calculation of of the Margins Required to Clear, whereby “on the second JSCC Business Day preceding the day which is a Foreign Currency Home Business Day” referred to in Section 1.(1).g shall be replaced with “on the JSCC Business day immediately preceding the day which is a Foreign Currency Home Business Day,” “the amount calculated based on the provisions of 1.(1).a. to f. above” referred to in Section (1).g shall be replaced with “the amount calculated based on the provisions of 3.(1).a. to c.” and “Required Initial Margin obtained based on 1.(1).a. to f.” referred to in Section (1).g shall be replaced with “Margins Required to Clear obtained based on 3.(1).a. to c.”

d. The provisions of 1.(1).h shall apply *mutuatis mutandis* to the calculation of of the Margins Required to Clear, whereby “on the JSCC Business Day immediately preceding the date which is the Foreign Currency Home Holiday” referred to in Section 1.(1).h shall be replaced with “on the JSCC Business day which is a Foreign Currency Home Holiday” and “Required Initial Margin obtained based on 1.(1).a. to f” referred to in Section (1).h shall be replaced with “Margin Required to Clear obtained based on 3.(1).a. to c.”

(2) Required Margin at Clearing of Customer’s Cleared Contract (limited to those related to Customers other than Customers set forth in Article 94.1 of the Business Rules)

The provisions of Section 3.(1) above shall apply *mutatis mutandis* to the calculation of Required Margin at Clearing of the Customer's Cleared Contract, whereby "the Proprietary Account" referred in Section 3.(1) above shall be replaced with "each Customer Account".

(3) Required Margin at Clearing of Customer's Cleared Contract (limited to those related to Customers set forth in Article 94.1 of the Business Rules ) (excluding such Required Margin at Clearing related to Non-hedge Account)

The provisions of Section 3.(1) shall apply *mutatis mutandis* to the calculation of Required Margin at Clearing set forth in this item, whereby "the Proprietary Account" referred in Section 3.(1) above shall be replaced with "each Customer Account," "Estimated Fluctuation Yield Curve set forth in Section 1.(1)b. above" in the said item shall be replaced with "Special Estimated Fluctuation Yield Curve set forth in Section 1.(3) above," "Stress Event Scenario Estimated Fluctuation Yield Curve" shall be replaced with "Stress Event Scenario Special Estimated Fluctuation Yield Curve set forth in Section 1(3) above," "Estimated Fluctuation Price" in the said item shall be replaced with "Special Estimated Fluctuation Price set forth in Section 1.(3) above," and "Stress Event Scenario Estimated Fluctuation Price" shall be replaced with "Stress Event Scenario Special Estimated Fluctuation Price."

(4) Required Margin at Clearing related to Non-hedge Account

It shall be the Required Margin at Clearing obtained pursuant to the provisions of the immediately preceding item multiplied by 1.1.

**<Appendix 3> Notional Amount related to Criteria for Clearing**

Number of Days to Maturity			Notional (in JPY 0.1bil.)
More than		Up to	
=	≈	46 days	6,400
46 days	≈	107 days (3 months)	2,100
107 days (3 months)	≈	198 days (6 months)	1,200
198 days (6 months)	≈	381 days (1 year)	1,100
381 days (1 year)	≈	746 days (2 years)	460
746 days (2 years)	≈	1,842 days (5 years)	240
1,842 days (5 years)	≈	3,668 days (10 years)	170
3,668 days (10 years)	≈	10,973 days (30 years)	120
10,973 days (30 years)	≈	=	67

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

Article 9. Clearing Brokerage Account (*seisan toritsugi kouza*)

1 Party A shall set up an account ("Party B Clearing Brokerage Account") to manage the details of the Subject Clearing Brokerage Contracts, Initial Margin (*tousho shoukokin*), Customer Initial Margin (*itaku tousho shoukokin*) and Variation Margin (*hendou shoukokin*) related to such Subject Clearing Brokerage Contracts, Positions (*tategyoku*) of the JGB Futures Contracts (*kokusai shouken sakimono torihiki*) and Interest Rate Futures Contracts (*kinri sakimono torihiki*) covered under Cross Margining (*kurosumajin seido*) on Party B's book, Mark-to-Market Difference (*soneki sakin*) and other Funds to be paid or received between Party A and Party B in accordance with this Agreement and the Rules.

2 Upon request of Party B, Party A may set up multiple accounts dividing the Party B Clearing Brokerage Account.

Article 10-2. When Action is Taken against Party A

When an action under Article 29-2.2 of the Business Rules is taken against Party A with respect to Subject Transaction for Clearing (*seisan taishou torihiki*) under Clearing Brokerage for Party B or an action under Article 29-3.1 of the Business Rules is taken against Party A, and if Party A requests that Party B take necessary actions to manage risk of Party B's positions, including actions related to Cross Margined JGB Futures Cleared Contracts (*kurosumajin taishou kokusai sakimono seisan yakujou*) or Cross Margined Interest Rate Futures Cleared Contracts (*kurosumajin taishou kinri sakimono seisan yakujou*), Party B shall take necessary action in response to such request.

Article 17. Right to Claim Return of Initial Margin

1 Party A and Party B shall respectively have the right to claim the return of Initial Margin from JSCC in the amount as set forth below:

(1) Party B:

The amount equivalent to the sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Cleared Contracts subject to Brokerage; less (i) the outstanding obligation of Party B owed to Party A in respect of the Subject Clearing Brokerage Contracts (including any outstanding obligation arising as a result of the termination of the Subject Clearing Brokerage Contract) or outstanding Early Termination Amount and (ii) the outstanding obligation of Party B owed to Party A in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account.

Notwithstanding the foregoing, in case the amount calculated above as Party B's claim exceeds the sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Cleared Contracts subject to Brokerage less the outstanding obligation of Party A owed to JSCC in respect of Cleared Contracts subject to Brokerage (including any outstanding obligation arising as a result of the termination of Cleared Contracts subject to Brokerage due to Party A's Default (*hatan tou*) or other reason, but excluding obligation owed pursuant to the provision of Article 99-2.2 of the Business Rules) and the outstanding obligation of Party A owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B

Clearing Brokerage Account, Party B's claim shall not cover such excess amount;

(2) Party A:

The amount equivalent to the sum of Initial Margin deposited with JSCC by Party B and Substituted Initial Margin deposited with JSCC by Party A in relation to Cleared Contracts subject to Brokerage less the sum of the outstanding obligations of Party A owed to JSCC in connection with the Cleared Contracts subject to Brokerage (including any outstanding obligation arising as a result of the termination of Cleared Contracts subject to Brokerage due to Party A's Default or other reason), the outstanding obligations of Party A owed to JSCC in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account and the amount of Party B's claim under Item (1).

- 2 If the amount of Initial Margin for which there is a right to claim return exceeds the Initial Margin Deposit Requirement or Intraday Margin Deposit Requirement, whichever is most recently calculated, ("Deposit Requirement"), Party B may request that JSCC return Initial Margin up to the excess amount in accordance with the provisions of the Rules.
- 3 Party B shall exercise its right to request the return of Initial Margin via Party A acting as its agent in accordance with the provisions of the Rules, provided however, in the event that JSCC has declared the Default of Party A, Party B shall request the return of Initial Margin directly from JSCC in accordance with the provisions of the Rules.
- 4 Party A shall deliver to Party B all Cash and Eligible Securities Collateral delivered from JSCC as Initial Margin, of which Party B has the right to claim the return, by the time agreed between Party A and Party B, or, promptly, absent such agreement, and in the manner agreed between Party A and Party B.
- 5 Notwithstanding the provision of Paragraph 2, where Party B may request the return of Customer Initial Margin from Party A, Party B shall not request the return of Initial Margin which corresponds to the same Customer Initial Margin from JSCC, except where JSCC has declared the Default of Party A.
- 6 If the Rules set forth otherwise concerning the manner of requesting return of Initial Margin under Paragraphs 1 through 5 above, the manner of request for Initial Margin to the satisfaction of Obligation to be Collateralized and other related matters, the provisions of the Rules shall prevail.

Article 23-2. Cash Equivalent to Cross Margining MtM Difference

Where a legal relationship between Party A and Party B comes into effect pursuant to the provision of Article 28-9 of this Agreement, Party B shall pay to Party A Cash equivalent to the Cross Margining MtM Difference (*kurosumajin koushin sakin*) in respect of the Cross Margined JGB Futures Cleared Contract and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account when Party A is a payer of such Cross Margining MtM Difference to JSCC, and Party A shall pay Cash equivalent to such Cross Margining MtM Difference to Party B when Party A is to receive such Cross Margining MtM Difference from JSCC.

Article 26. Treatment of Right to Claim Return of Margin upon Occurrence of Event of Default or Other Circumstances

- 1 Party B may not request the return of Margin deposited or paid in accordance with this Agreement (simply referred to as "Margin") from JSCC or Party A until the settlement of all Subject Clearing Brokerage Contracts and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed, if:
  - (1) an Event of Default occurs and is continuing in respect of Party B; or
  - (2) all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30 of this Agreement.
- 2 If JSCC declares the Default of Party A, Party B may not request the return of Margin from JSCC or Party A until the completion of settlement of all Cleared Contracts subject to Brokerage and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account.
- 3 If JSCC declares the Default of Party A, Party A may not request the return of Margin from JSCC or Party B until the completion of settlement of all Cleared Contracts subject to Brokerage and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account.

#### Article 28-7. Utilization of Cross Margining

- 1 When Party B intends to use Cross Margining, it shall obtain consent of Party A by clarifying the below-listed persons to Party A:
  - (1) Cross Margining Requestor (*kurosumajin sinseisha*); and
  - (2) if relevant, JGB Futures Non-Clearing Participant (*kokusai sakimono tou hi seisan sankasha*) acting as broker for Party B in respect of JGB Futures Contracts or Interest Rate Futures Contracts.
- 2 Upon providing consent mentioned in Paragraph 1, Party A shall notify JSCC of such effect in the manner prescribed in the Rules.
- 3 When there is any change to the persons listed in Paragraph 1, Party B shall give an advance notice of such change to Party A, which then notifies JSCC of such change pursuant to the provisions of the Rules.
- 4 When intending to cease utilization of the Cross Margining, Party B shall give an advance notice of such effect to Party A, which then notifies JSCC of such effect pursuant to the provisions of the Rules.

#### Article 28-8. Recording on and Deletion from Clearing Brokerage Account of Position of Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

When JSCC recorded on or deleted from Party A's Customer Account opened for Party B which is a Cross Margining User (*kurosumajin riyousha*) Positions of JGB Futures Contracts and Interest Rate Futures Contracts for the account of Party B pursuant to the provisions of the Rules, Party A shall record on or delete from, as the case may be, Party B Clearing Brokerage Account the Positions of the relevant JGB Futures Contract and Interest Rate Futures Contract.

#### Article 28-9. Legal Relationship related to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

- 1 When the claims and obligations with the same terms and conditions as those of Cross Margined JGB



Futures Cleared Contract or Cross Margined Interest Rate Futures Cleared Contract that is recorded on Party B Clearing Brokerage Account between the Cross Margining Requester and JSCC came into existence between Party A and JSCC pursuant to the provisions of the Rules, simultaneously with the time when such claims and obligations come into effect, the legal relationship having the same economic effect as a Subject Clearing Brokerage Contract which would come into effect if such claims and obligations come into effect as a result of Party A's Clearing Brokerage for Party B under this Agreement shall arise between Party A and Party B.

2 When JSCC conducts offsetting sale or offsetting purchase set forth in Article 28-10.1 of this Agreement, the legal relationship which has arisen in accordance with the provision of Paragraph 1 shall cease to exist and have no future effect as of the time of such offsetting sale or offsetting purchase

Article 28-10. Liquidation of Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts

1 When the legal relationship as set forth in Article 28-9 comes into effect between Party A and Party B, JSCC may cause the JGB Futures Clearing Participant (*kokusai sakimono tou seisan sankasha*) of its selection to conduct offsetting sale or offsetting purchase or take other necessary liquidation process in respect of the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts of which Positions are recorded on Party B Clearing Brokerage Account pursuant to the provisions of the Rules.

2 If a Cross Margining Liquidation Transaction (*kurosumajin shobun torihiki*) is executed in respect of a Cross Margined JGB Futures Cleared Contract or Cross Margined Interest Rate Futures Cleared Contract of which Position is recorded on Party B Clearing Brokerage Account and the Subject Clearing Brokerage Contract has not been terminated, the provisions of this Agreement shall apply by deeming the IRS Transaction which comes into effect pursuant to the provision of Article 93-2.4 of the Business Rules as the Cleared Contract subject to Brokerage which comes into effect as a result of Party A's Clearing Brokerage for Party B, and the legal relationship between Party A and Party B in respect of the IRS Transaction as the Subject Clearing Brokerage Contract related to the IRS Transaction which is deemed to be the Cleared Contract subject to Brokerage pursuant to the provision of this paragraph, respectively.

Article 29. Event of Default

1 An occurrence of any of the following events shall constitute an Event of Default in respect of Party B:

(1) Failure to perform payment obligation or delivery obligation:

If Party B fails to perform any of its payment obligations or delivery obligations under this Agreement as it becomes due and fails to cure such failure within one local business day from the date of the notice of failure from Party A to Party B. In the above sentence, a "local business day" means a day on which commercial banks located in the place designated by Party B as its address for receiving notices are open for general business, including the dealings in foreign exchange and foreign currency deposits;

(2) Breach of agreement or repudiation of performance:

If Party B fails to perform any of its obligations under this Agreement (other than the payment obligations and delivery obligations set forth in Item (1)) and fails to cure such failure within 30

days from the date of the notice of failure from Party A to Party B;

(3) Bankruptcy and other similar events:

- a. If Party B is dissolved (excluding the dissolution as a result of a merger);
- b. If Party B (i) becomes insolvent, (ii) becomes unable to pay its debts, (iii) suspends payment of its obligations when due (other than the payment obligations and delivery obligations set forth in Item (1)), or (iv) admits in writing that it is generally unable to pay its debts when due.

For the purpose of this Sub-item b., if Party B is an entity established or formed under the Japanese law, the terms “insolvent,” (*saimu chouka*) “unable to pay its debts” (*shiharai funou*) and “suspend payment” (*shiharai teishi*) shall have the same meaning as used in the Bankruptcy Act (Act No.75 of 2004) (*hasan hou*);

- c. If Party B carries out a general assignment, an arrangement (*saimu seiri*) or a composition (*wakai*) with or for creditors;
- d. If a petition is filed in respect of Party B for commencement of proceedings seeking a insolvency or determination of bankruptcy or other relief under the laws concerning bankruptcy or insolvency or other similar laws affecting the rights of creditors, including a petition for commencement or acknowledgment of the bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, special liquidation (*tokubetsu seisan*) or foreign bankruptcy proceedings or equivalent proceedings under laws and regulations of a foreign country against Party B, or if a petition for dissolution or liquidation of Party B is filed;
- e. If Party B adopts a resolution for its dissolution (*kaisan*), being under state control or liquidation (*seisan*);
- f. If Party B requests an appointment of a receiver (*kanzainin*), provisional administrator or other similar official (“Receiver”) in respect of itself or a material part of its assets, or a Receiver is appointed for Party B or a material part of Party B’s assets;
- g. If any secured creditor of Party B takes possession of, or files a petition for compulsory execution, attachment, compulsory administration of or other legal proceedings in relation to, a material part of the assets of Party B and if such assets are not released, or the petition is neither dismissed nor withdrawn, within 15 days from the date of commencement of such possession or the date of filing of such petition, as the case may be;
- h. If any event having similar effects to any of the events set forth in a. through g. above occurs in respect of Party B; or
- i. If Party B takes any action to facilitate, consents to, acknowledges or implicitly admits any of the events set forth in a. through h. above.

(4) Acceleration of Obligations under Agreement for Setting up Futures/Options Trading Account

When Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are recorded on Party B Clearing Brokerage Account, if obligations of Party B has been accelerated under an Agreement for Setting up Futures/Options Trading Account (*sakimono opushon torihiki kouza settei yakudakusho*) prescribed by the Designated Market Operator (*shitei shijou kaisetsusha*) for brokerage of JGB Futures Contracts or Interest Rate Futures Contracts or under a Contract for Commissioning Clearance Relating to JGB Futures, Etc. (*kokusai sakimono tou seisan jutaku keiyakusho*) concluded pursuant to the provision of Article 39 of the Securities and Similar Contracts Business Rules (*shouken torihiki tou gyoumu houhousho*).

- 2 If Party A and Party B separately agree that some of the Events of Default set forth in Paragraph 1 shall not apply or that certain other events shall be added to the definition of the Event of Default under this Agreement, such agreement shall prevail. In this case, the event agreed to be added shall constitute an Event of Default under this Agreement.
- 3 Notwithstanding the provisions of Paragraphs 1 and 2, Paragraph 1.(3).d. may be replaced with the following, if Party A and Party B so agree:

[(A) If Party B files a petition for commencement of proceedings seeking an insolvency or determination of bankruptcy or other relief (hereinafter referred to as “Legal Bankruptcy Proceedings”) under laws concerning bankruptcy or insolvency or other similar laws affecting the rights of creditors, or if a petition for commencement of the Legal Bankruptcy Proceedings is filed against Party B by a regulatory authority, supervisor or any similar government official that is located in the place of establishment or formation of Party B or at the location of its head office or principal place of business and has principal jurisdiction over bankruptcy, corporate reorganization (*kaisha kousei*) of or regulations on Party B (“Regulatory Authority”), or if a petition for dissolution or liquidation of Party B is filed by Party B or by the Regulatory Authority; or  
(B) If a petition for commencement of the Legal Bankruptcy Proceedings or for dissolution or liquidation is filed against Party B by any person other than Party B or the Regulatory Authority and if the petition results in the insolvency, determination of bankruptcy, the issuance of an order for relief or order for dissolution or liquidation or if the petition is not dismissed, revoked, stayed or suspended within 15 days from the date of filing thereof.]

#### Article 31. Return of Customer Initial Margin upon Termination of Subject Clearing Brokerage Contracts

- 1 If all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, Party A shall immediately return to Party B Customer Initial Margin deposited by Party B, provided that Party B may not request the return of Customer Initial Margin from Party A until the settlement of all Subject Clearing Brokerage Contracts and Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed under the provision of Article 26.1 of this Agreement. This proviso shall not affect the settlement of the claims and obligations in Customer Initial Margin pursuant to the provision of Article 32 below.
- 2 For the purpose of Paragraph 1, if Customer Initial Margin is deposited in the form of Eligible Securities Collateral, unless otherwise agreed between Party A and Party B, Party A shall return Cash in the amount equivalent to the market value of the Eligible Securities Collateral as of the Early Termination Date used to determine the appraisal value of the Eligible Securities Collateral in lieu of returning Eligible Securities

Collateral.

- 3 When all Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Article 30.2 or 30.3 of this Agreement, Party A and Party B shall immediately return to the other party Variation Margin deposited by the other party in accordance with this Agreement, provided that Party B may not request the return of Variation Margin from Party A until the settlement of all Subject Clearing Brokerage Contracts is completed under the provision of Article 26.1 of this Agreement, except for the case where the claims and obligations in Variation Margin are settled pursuant to the provision of Article 32 below.

Article 34-2. Position Transfer of Outstanding Cross Margined Contracts

1 Notwithstanding the provision of Article 34, when the legal relationship with the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 comes into existence as a result of a Default of Party A, Party B may cause the claims and obligations listed below (collectively the "Outstanding Cross Margined Contracts") to be transferred through Position Transfer as a whole to one or more Successor Clearing Brokers through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the Successor Clearing Broker(s) and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:

- (1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Cleared Contracts subject to Brokerage between Party A and JSCC which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract coming into existence pursuant to the provision of Article 28-9.1 of this Agreement;
- (2) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations under the Subject Clearing Brokerage Contracts between Party A and Party B which are in effect immediately before the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts coming into existence pursuant to the provision of Article 28-9.1 of this Agreement.

2 Party A and Party B hereby agree in advance that when the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s) pursuant to the provision of Paragraph 1, Initial Margin in which Party B has the right to claim the return pursuant to the provision of Article 17 of this Agreement shall be deemed as Initial Margin deposited with JSCC through the Successor Clearing Broker(s) acting as agent of Party B at the time of such Position Transfer.

3 Where Party B requests to JSCC the Position Transfer of the Outstanding Cross Margined Contracts pursuant to the provision of Paragraph 1, Party B shall request to the Successor Clearing Broker the Position Transfer and shall obtain the consent of the Successor Clearing Broker in advance.

4 When the Outstanding Cross Margined Contracts are transferred to the Successor Clearing Broker(s), the claims and obligations arising as a result of the Subject Clearing Brokerage Contracts between Party A and Party B as well as the claims and obligations resulting from Variation Margin paid or received

between them in relation to such Subject Clearing Brokerage Contracts, excluding the obligations of Party A that is due at the time of the declaration of the Default in respect of Party A and the obligations of Party A related to Unpaid Amount set forth in Article 85-5.1 of the Business Rules, and the claims and obligations relating to Customer Initial Margin in the amount equal to those deemed to have been deposited with JSCC by Party B through the Successor Clearing Broker(s) acting as agent pursuant to the provision of Paragraph 2, shall cease to exist and have no future effect in accordance with the Rules.

5 The Position Transfer of Outstanding Cross Margined Contracts by Party B as set forth in Paragraphs 1 through 4 above may only be allowed when Party B has agreed with the ListedJGB Futures Successor Clearing Broker (*kokusai sakimonotou shoukei seisan sankasha*) on the ListedJGB Futures Position Transfer (*kokusai sakimonotou shoukei*), and submitted a request for ListedJGB Futures Position Transfer in the form prescribed by JSCC to JSCC via the ListedJGB Futures Successor Clearing Broker.

Article 34-3. ListedJGB Futures Position Transfer of Claims and Obligations related to JGB Futures Cleared Contracts (*kokusai sakimono seisan yakujou*) and Interest Rate Futures Cleared Contracts (*kinri sakimono seisan yakujou*)

1 When the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract set forth in Article 28-9.1 of this Agreement comes into existence, Party B may cause the claims and obligations listed in Items (1) and (2) below (hereinafter collectively referred to as the “Claims and Obligations related to JGB Futures Cleared Contracts”) and the claims and obligations listed in Items (3) and (4) below (referred to as the “Claims and Obligations related to Interest Rate Futures Cleared Contracts”) to be transferred through Position Transfer as a whole to a ListedJGB Futures Successor Clearing Broker through the submission of a Position Transfer Request in the form prescribed by JSCC to JSCC via the ListedJGB Futures Successor Clearing Broker and if JSCC accepts such request, in accordance with the provisions of the Rules. This may only be done during the period specified in the Rules:

(1) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations with the same terms and conditions as those related to Cross Margined JGB Futures Cleared Contracts set forth in Article 28-9.1 between Party A and JSCC which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts comes into existence according to the provision of Article 28-9.1;

(2) The claims and obligations listed in Item (1) of which the terms and conditions as prescribed in the Rules are identical to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 between Party A and Party B which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract comes into existence according to the provision of Article 28-9.1.

(3) The claims and obligations of which the terms and conditions as prescribed in the Rules are identical to the claims and obligations with the same terms and conditions as those related to Cross Margined Interest Rate Futures Cleared Contracts set forth in Article 28-9.1 between Party A and JSCC which

are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts comes into existence according to the provision of Article 28-9.1;

(4) The claims and obligations listed in Item (3) of which the terms and conditions as prescribed in the Rules are identical to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts set forth in Article 28-9.1 between Party A and Party B which are in effect at the time when the legal relationship having the same economic effect as the Subject Clearing Brokerage Contract comes into existence according to the provision of Article 28-9.1.

- 2 Where Party B requests to JSCC a ListedJGB Futures Position Transfer in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and Interest Rate Futures Cleared Contracts and the like pursuant to the provision of Paragraph 1, Party B shall request to the ListedJGB Futures Successor Clearing Broker the ListedJGB Futures Position Transfer and obtain the consent of the ListedJGB Futures Successor Clearing Broker (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts or Interest Rate Futures Contracts of Party B are traded through a JGB Futures Non-Clearing Participant) in advance.
- 3 When a ListedJGB Futures Position Transfer to the ListedJGB Futures Successor Clearing Broker is effected in respect of the claims and obligations related to JGB Futures Cleared Contracts and the like and Interest Rate Futures Cleared Contracts and the like, the claims and obligations identical to the claims and obligations related to the Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts set forth in Article 28-9.1 and the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts shall cease to exist and have no future effect pursuant to the provisions of the Rules.

#### Article 35. Close-Out Netting of Subject Clearing Brokerage Contracts if Outstanding Contracts are not Transferred

- 1 Upon termination of the Cleared Contracts subject to Brokerage pursuant to the provision of Article 33 of this Agreement, if the Outstanding Contracts are not transferred pursuant to the provision of Article 34 of this Agreement or the Outstanding Cross Margined Contracts are not transferred pursuant to the provision of Article 34-2, all Subject Clearing Brokerage Contracts shall be automatically terminated without further notice from Party A or Party B, and Party A and Party B shall pay or receive the Early Termination Amount with respect to all of those Subject Clearing Brokerage Contracts. In this case, the Early Termination Amount shall be the sum of the Profit and Loss before Default calculated pursuant to the provision of Paragraph 2 and the Post-Default Allocated Profit and Loss calculated in the manner described below. For the purpose of this Paragraph, when the Cash Settlement Amount is to be paid or received in any currency other than Japanese yen, it shall be Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business (*kinri suwappu torihiki seisan gyomu ni kansuru seisan sankasha no hatan shori ni kansuru kisoku*):

(1) The amount of the Post-Default Allocated Profit and Loss shall be the sum of the amounts obtained pursuant to a. through g. below, or, if Party B is not a Customer set forth in Article 94.1 of the Business Rules, pursuant to b. through g. below:

- a. The sum of the Cash Settlement Amount arising from the Cleared Contracts subject to Brokerage to be paid or received on each JSCC Business Day during the period from the Party A Default Determination Date through the JSCC Business Day following the date on which it is determined that Party B is unable to transfer the Outstanding Contracts as set forth in Article 34 of this Agreement;

(For the purpose of this item, the “Last Day of Position Transfer Window” means JSCC Business Day following the date on which it is determined that Customers (including Party B) is unable to transfer the Outstanding Contracts as set forth in Article 34 of the Clearing Brokerage Agreement(s).)

- b. The total amount of the portion, allocated to the Cleared Contracts subject to Brokerage, of the Cash Settlement Amount, to be paid or received on the second JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B, arising from:

(i) Party A’s Cleared Contracts on its proprietary account;

(ii) Party A’s Customer’s Cleared Contracts that are confirmed not to be transferred pursuant to Article 94 or Article 94-2 of the Business Rules by the JSCC Business Day preceding the Last Day of Position Transfer Window applicable to Party B;

(in this b. through f. below, the Cleared Contracts that are confirmed not to be transferred pursuant to Article 94 of the Business Rules by the JSCC Business Day preceding the Last Day of Position Transfer Window shall be referred to as the “Subject Cleared Contracts for Hedge”)

(iii) Cleared Contracts subject to Brokerage, as well as, the other Customer’s Cleared Contracts as a result of Party A’s Clearing Brokerage for such other Customers, with respect to whom the Last Day of Position Transfer Window is the same as that applicable to Party B, if any;

(in this b. through f. below, the Cleared Contracts described in this (iii) shall be referred to as the “Cleared Contracts subject to Brokerage”)

and

(iv) Hedge Transactions related to these Cleared Contracts.

The allocation shall be determined by prorating said amount according to the risk (as such term set forth in Item(1)-3 below) respectively calculated with respect to the Subject Cleared Contracts for Hedge, the Cleared Contracts subject to Brokerage as of the Last Day of Position Transfer Window applicable to Party B;

- c. If no other Customer's Cleared Contract for which Party A is acting as Clearing Broker is confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B, the total amount of the portion, allocated to the Cleared Contracts subject to Brokerage, of the Cash Settlement Amount to be paid or received on each JSCC Business Day from the third JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B through the date of the Default Auction (*hatan shori nyuusatsu*) with respect to the Default of Party A (referred to as the "Default Auction Date") plus the Successful Bid Amount (*rakusatsu zi shiharai kingaku*) less the Net Present Value as of the JSCC Business Day immediately preceding the Default Auction Date, each arising from the Subject Cleared Contracts for Hedge, Cleared Contracts subject to Brokerage and Hedge Transactions related to these Cleared Contracts. The allocation shall be determined by prorating such amount in the same manner as the provision of b. above;
- d. If one or more other Customer's Cleared Contracts for which Party A is acting as Clearing Broker are confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to Party B (such other Customer shall be referred to as "Customer Added to Hedge"), the amount determined as follows:

For the purpose of d. through f., on the Last Day of Position Transfer Window applicable to Customer Added to Hedge, the Cleared Contracts subject to Brokerage shall be included in Subject Cleared Contracts for Hedge.

- (i) The Cash Settlement Amount, arising from Subject Cleared Contracts for Hedge, Cleared Contracts of such Customer Added to Hedge and Hedge Transactions related to these Cleared Contracts, to be paid or received on the second JSCC Business Day following the Last Day of Position Transfer Window applicable to each Customer Added to Hedge shall be obtained;
- (ii) The amount obtained in (i) above shall be allocated on a pro-rata basis according to their risk respectively calculated on the Last Day of Position Transfer Window applicable to the Customer Added to Hedge with respect to the Subject Cleared Contracts for Hedge and the Cleared Contracts of the Customer Added to Hedge; and
- (iii) The amount allocated to Subject Cleared Contracts for Hedge according to (ii) above shall be further allocated to (a) Cleared Contracts on Party A's proprietary account, (b) Party A's Customer's Cleared Contracts which was confirmed not to be transferred pursuant to Article 94 of the Business Rules before the Last Day of Position Transfer Window applicable to Party B and



(c) the Cleared Contracts subject to Brokerage on a pro-rata basis in the same manner as the provision of b. above. The amount so allocated to the Cleared Contracts subject to Brokerage shall be the amount used for calculation of Cash equivalent to the Early Termination Charge for the Cleared Contracts subject to Brokerage.

- e. When d. above applies, if no other Customer's Cleared Contract for which Party A is acting as Clearing Broker is confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to each Customer Added to Hedge above, the sum of the amount of the portion, allocated to Cleared Contracts subject to Brokerage, of the Cash Settlement Amount to be paid or received on each JSCC Business Day from the third JSCC Business Day following the Last Day of Position Transfer Window applicable to the Customer Added to Hedge through Default Auction Date plus Successful Bid Amount less the Net Present Value as of the JSCC Business Day immediately preceding the Default Auction Date, each arising from the Subject Cleared Contracts for Hedge, the Cleared Contracts of the Customer Added to Hedge and Hedge Transactions related to these Cleared Contracts. The allocation shall be determined by prorating such amount in the same manner as the provision of d. above;
- f. When d. above applies, if one or more further Customer's Cleared Contracts for which Party A is acting as Clearing Broker are confirmed not to be transferred pursuant to Article 94 of the Business Rules on or after the JSCC Business Day following the Last Day of Position Transfer Window applicable to said Customer Added to Hedge, the sum of the amount obtained by the calculation made in the same manner as the provisions of d. and e. above. If there is one or more additional Customers for which Party A is acting as Clearing Broker is decided not being able to transfer the Cleared Contracts executed for its account pursuant to Article 94 of the Business Rules thereafter, the total amount calculated in the same manner shall be added accordingly.
- g. When Party B is a Cross Margining User, if a Cross Margining Liquidation Transaction is executed in respect of Party B's Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts, the amount equal to the Cash Settlement Amount related to the Cleared Contract which comes into existence as a result of such Cross Margining Liquidation Transaction.

(1)-2 The "Cash Settlement Amount" and the "Net Present Value" referred to in Item (1) shall be calculated by JSCC pursuant to the provisions of the Rules on an assumption that Cleared Contracts to which Party A is a party, including Cleared Contracts subject to Brokerage, validly exist on the Party A Default Determination Date, and the "Cash Settlement Amount" and the "Net Present Value" to be paid or received in any currency other than Japanese yen shall be Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business.

(1)-3 The "risk" referred to in Item (1) means the amount, with respect to the relevant Cleared Contracts, calculated by JSCC according to the method set forth in Paragraph 1.(1).a. of Appendix 2 to the Handling Procedures of Interest Rate Swap Business Rules.

- (2) When Party A is to pay to Party B the Post-Default Allocated Profit and Loss calculated pursuant to the provision of Item (1), Party A shall be deemed to owe a payment obligation related to such Cash to Party B.
- (3) When Party B is to pay to Party A the Post-Default Allocated Profit and Loss calculated pursuant to the provision of Item (1), Party B shall be deemed to owe a payment obligation related to such Cash to Party A.

2 The amount of Profit and Loss before Default shall be, in respect of each Subject Clearing Brokerage Contract, the sum total of the Net Present Value calculated on the Calculation Date upon Party A Default, excluding those in respect of which the Cleared Contracts subject to Brokerage related to the Subject Clearing Brokerage Contract is Cleared Contracts (Settlement Type). For the purpose of this Paragraph, "Calculation Date upon Party A Default" means the JSCC Business Day immediately preceding the Party A Default Determination Date when Variation Margin is settled on the Party A Default Determination Date, or the day that is 2 JSCC Business Days preceding the Party A Default Determination Date when Variation Margin is not settled on the Party A Default Determination Date.

3 When Party A owes to pay the Post-Default Allocated Profit and Loss to Party B pursuant to the provision of Paragraph 1.(2), Party B may directly request JSCC to pay the same amount as the relevant Post-Default Allocated Profit and Loss. When JSCC makes such payment, the payment obligation of Party A against Party B related to the Post-Default Allocated Profit and Loss set forth in Paragraph 1.(2) shall cease to exist.

4 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, Party A and Party B shall immediately return to the other party Variation Margin deposited by the other party in accordance with this Agreement, provided that neither Party A nor Party B may request the return of said Variation Margin from the other party until the settlement of all Cleared Contracts subject to Brokerage, ~~and~~ Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed pursuant to the provisions of Articles 26.2 and 26.3 of this Agreement, except for the case where the claims and obligations arising from Variation Margin are settled pursuant to the provision of Paragraph 7.

5 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, Party A shall immediately return to Party B Customer Initial Margin deposited by Party B, provided that Party B may not request the return of said Customer Initial Margin from Party A until the settlement of all Cleared Contracts subject to Brokerage, ~~and~~ Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts recorded on Party B Clearing Brokerage Account is completed pursuant to the provision of Article 26.1 of this Agreement, except for the case where the claims and obligations arising from Customer Initial Margin are settled pursuant to the provision of Paragraph 7.

6 For the purpose of Paragraph 3, where Customer Initial Margin is deposited in the form of Eligible Securities Collateral, unless otherwise agreed between Party A and Party B, Party A shall return Cash in the amount equivalent to the market value of Eligible Securities Collateral used to determine the appraisal value of the Eligible Securities Collateral as of the Initial Loss-Determination Date in relation to the Default of Party A ("Initial Loss-Determination Date") in lieu of returning the Eligible Securities Collateral.

7 If the Subject Clearing Brokerage Contracts are terminated pursuant to the provision of Paragraph 1, all monetary obligations outstanding between Party A and Party B under this Agreement as of the Initial Loss-Determination Date shall be settled as set forth below. Such monetary obligations shall include the obligations to pay the Early Termination Amount as a result of termination of the Subject Clearing Brokerage Contracts pursuant to the provision of Paragraph 1, which include, if the Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are recorded on the Party B Clearing Brokerage Account, the payment obligation existing between Party A and Party B in respect to the legal relationship having the same economic effect as the Subject Clearing Brokerage Contracts that will come into existence pursuant to the provision of Article 28-9.1 of this Agreement (where Paragraph 3 applies, other than the payment obligations related to the Post-Default Allocated Profit and Loss set forth in Paragraph 3; the same applies in this Paragraph), the obligations to return Variation Margin pursuant to the provision of Paragraph 4, the obligations to return Customer Initial Margin pursuant to the provisions of Paragraphs 5 and 6, the obligations to pay Fixed Amount and Floating Amount that remain unpaid, if any, and any and all other monetary obligations outstanding between Party A and Party B:

- (1) The Early Termination Amount payable by Party A to Party B as a result of termination of all Subject Clearing Brokerage Contracts pursuant to the provision of Paragraph 1, Party A's obligation to return Variation Margin to Party B and other monetary obligations of Party A owed to Party B outstanding as of the Initial Loss-Determination Date, excluding the obligations to return Customer Initial Margin under the provisions of Paragraphs 5 and 6, ("Party A's Obligations at Initial Loss-Determination Date") shall be netted with the Early Termination Amount payable by Party B to Party A as a result of termination of the Subject Clearing Brokerage Contracts, Party B's obligation to return Variation Margin to Party A and other monetary obligations of Party B to Party A outstanding as of the Initial Loss-Determination Date ("Party B's Obligations at Initial Loss-Determination Date"). For the purpose of this paragraph, in respect of the Variation Margin or monetary obligations to be paid or received in any currency other than Japanese yen, the above amounts shall be the Japanese yen equivalent of such amount converted using the quotes of foreign exchange rate set forth in the provision of Article 6 of the Rules on Default Settlement Regarding Clearing Participants in Relation to IRS Clearing Business;
- (2) As a result of netting pursuant to the provision of Item (1), if Party B's Obligations at Initial Loss-Determination Date remain, the amount of Customer Initial Margin deposited by Party B with Party A, or, if Customer Initial Margin consists of Eligible Securities Collateral, but Party A will not return Cash equivalent to the market value of the Eligible Securities Collateral as set forth in the provision of Paragraph 4, the liquidation proceeds of Eligible Securities Collateral shall be deducted from the remaining amount of Party B's Obligations at Initial Loss-Determination Date. As a result, if the amount of the Party B's Obligations at Initial Loss-Determination Date becomes negative, Party A shall have an obligation to immediately return to Party B the amount equal to the absolute value of such negative value.
- (3) As a result of netting pursuant to the provision of Item (2), if the Party B's Obligations at Initial Loss-Determination Date still remain, the amount of Initial Margin deposited by Party B with JSCC, or, if Initial Margin consists of the Eligible Securities Collateral, the liquidation proceeds of Eligible Securities Collateral, shall be deducted from the remaining amount of Party B's Obligations at Initial Loss-Determination Date. As a result, if the amount of Party B's Obligations at Initial Loss-Determination Date becomes negative, Party B may request return of Initial Margin from JSCC

up to the amount equal to the absolute value of such negative value.

(4) As a result of netting pursuant to the provision of Item (3), if the Party B's Obligations at Initial Loss-Determination Date still remain, that remaining amount shall constitute the obligations of Party B owed to Party A arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party B's Final Obligations" in this Article) and the claims in the Party B's Final Obligations shall constitute the claims of Party A to Party B.

(5) As a result of netting pursuant to the provision of Item (1), if the Party A's Obligations at Initial Loss-Determination Date remain, the sum of that remaining amount and the amount of the obligation to return Customer Initial Margin pursuant to the provisions of Paragraphs 3 and 4 shall constitute the obligations of Party A owed to Party B arising from the termination of all Subject Clearing Brokerage Contracts (referred to as "Party A's Final Obligations" in this Article) and the claims in the Party A's Final Obligations shall constitute the claims of Party B to Party A.

8 If Party A owes Party A's Final Obligations pursuant to the provision of Paragraph 5, Party A shall perform Party A's Final Obligations by the time agreed between Party A and Party B, or promptly, absent such agreement, and in the manner agreed between Party A and Party B.

9 If Party B owes Party B's Final Obligations pursuant to the provision of Paragraph 7, Party B shall perform Party B's Final Obligations by the time and in the manner as designated by Party A.

## Rules on Required IRS Clearing Fund Amount

**Original Document Title :** 金利スワップ清算基金所要額に関する規則

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

## Appendix Calculation of Required IRS Clearing Fund Amount

1. For each Clearing Participant, a Required IRS Clearing Fund Amount shall be the Expected Stressed Loss Share or JPY 100 million (100,000,000), whichever is larger, on an IRS Clearing Fund Calculation Date (which is the day on which a Required IRS Clearing Fund Amount is calculated; the same applies hereinafter).
2. Expected Stressed Loss Share  
“The Expected Stressed Loss Share” in the preceding Paragraph shall be the amount prescribed below according to the classification of the Clearing Participant specified below:
  - (1) Clearing Participant not falling under below Item:  
Expected Stressed Loss Base Amount (as defined below); and
  - (2) Clearing Broker subject to a reduction of the Expected Stressed Loss Share (“Clearing Participant subject to Reduction”):  
The amount obtained by subtracting the Allocated Decrease (as defined below) from the Expected Stressed Loss Base Amount; provided, however, that JSCC may change the Expected Stressed Loss Share for a Clearing Participant determined pursuant to the provisions of this Item on an ad hoc basis to the extent of not exceeding the Expected Stressed Loss Base Amount for the relevant Clearing Participant, when JSCC deems necessary.
3. “The Expected Stressed Loss Base Amount” in the preceding Paragraph shall be the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in respect of that amount in terms of the Clearing Participant’s Risk Amount Exceeding Collateral (or, if any subsidiary or affiliate, or the parent company of such Clearing Participant, or any subsidiary or affiliate of the parent company (“Affiliated Company”) also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that an increase of the Required Initial Margin set forth in Article 65-2 of the Business Rules (“Client Additional Margin”) has not been applied, prorated according to the Required Initial Margin, which is calculated on an assumption that Client Additional Margin has not been applied, of the Clearing Participant arising as a result of its Proprietary Account and Customer Accounts on that IRS Clearing Fund Calculation Date.

For the purpose of the foregoing, “Risk Amount Exceeding Collateral” means the sum in respect of each Clearing Participant of each amount calculated for each of the Proprietary Account and Customer Account of the Clearing Participant as a difference of the Stressed Risk Value of the Cleared Contracts at 7:00 p.m. on each IRS Clearing Fund Calculation Date and the Required Initial Margin Amount on the same day (if such difference in respect of a Customer Account is a negative figure, it shall be treated as zero (0)). If the sum so obtained is a negative figure, it shall be treated as zero (0)).

For the purpose of the foregoing, “Stressed Risk Value” is the value calculated in the manner prescribed by JSCC through notification, equivalent to the amount of expected loss incurred from a Clearing Participant’s Cleared Contracts due to extreme volatility in the Clearing Yield Curve for the IRS Transactions, ~~and~~ yield curves related to Cross Margined JGB Futures Cleared Contracts and yield curves related to Cross Margined Interest Rate Futures Cleared Contracts.

4. “Clearing Participant subject to Reduction” shall be a Clearing Broker falling under both of the below criteria:
  - (1) The Required Initial Margin for its Customer Account has been increased as of the IRS Clearing Fund Calculation Date due to Client Additional Margin; and
  - (2) It falls under top 2 Clearing Participants in terms of the Clearing Participant’s Risk Amount Exceeding Collateral on the IRS Clearing Fund Calculation Date (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that Client Additional Margin has not been applied.
  
5. Allocated Decrease set forth in Paragraph 2.(2) shall be the smaller of the following:
  - (1) The amount obtained by subtracting the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant’s Risk Amount Exceeding Collateral (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company) for a given IRS Clearing Fund Calculation Date from the total Risk Amount Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant’s Risk Amount Exceeding Collateral (or, if an Affiliated Company also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company), which is calculated on an assumption that Client Additional Margin has not been applied for the same IRS Clearing Fund Calculation Date, prorated according to the difference between the Risk Amount Exceeding Collateral for each Clearing Participant subject to Reduction, which is calculated on an assumption that Client Additional Margin has not been applied, and the Risk Amount Exceeding Collateral, which is calculated by using the yield curve fluctuation used for the calculation of the Expected Stressed Loss Base Amount; and
  - (2) The Expected Stressed Loss Base Amount set forth in Paragraph 3 multiplied by the value obtained by dividing the sum total of the Required Initial Margin for the Customer Accounts, to which Client Additional Margin is applied, calculated on an assumption that no Client Additional Margin has applied as of the relevant IRS Clearing Fund Calculation Date by the sum total of Required Initial Margin related to the Proprietary Account and Customer Accounts calculated on an assumption that no Client Additional Margin has applied as of the IRS Clearing Fund Calculation Date.

#### Supplementary Provisions

1. These amendments shall come into force as of March 4, 2024.
  
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 March 4, 2024.



Rules on Default Settlement Regarding  
Clearing Participants in Relation to IRS Clearing Business

Original Document Title : 金利スワップ取引清算業務に関する清算参加者の破綻処理に関する規則

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

## Article 7-2. Cross Margining Liquidation Transaction

1 When JSCC executes a Cross Margining Liquidation Transaction pursuant to the provisions of Article 93-2.2 of the Business Rules, it shall do so with a Clearing Participant other than the Defaulting Clearing Participant as its counterparty.

2 JSCC shall execute the Cross Margining Liquidation Transaction with the party which has become a counterparty to the offsetting sale or offsetting purchase of the Cross Margined JGB Futures Cleared Contract or the Cross Margined Interest Rate Futures Cleared Contracts or which has accepted a brokerage for such counterparty, unless JSCC considers it difficult to do so taking account of the advice of the IRS Default Management Committee, the market conditions of IRS Transactions and other factors.

3 The Cross Margining Liquidation Transaction shall be an Eligible IRS Transaction.

4 Upon execution of the Cross Margining Liquidation Transaction, if parties agree to the payment of upfront fee, JSCC and the counterparty to the Cross Margining Liquidation Transaction shall settle the upfront fee so agreed on the next JSCC Business Day following the date of execution of the Cross Margining Liquidation Transaction. Simultaneously with the execution of the Cross Margining Liquidation Transaction, the upfront fee related to the IRS Transaction to be executed pursuant to the provisions of Article 93-2.4 of the Business Rules shall be similarly settled between JSCC and the relevant Clearing Participant.

5 In addition to the matters prescribed in Paragraphs 1 to 4, any matter that becomes necessary in connection with the execution of the Cross Margining Liquidation Transaction, including a counterparty to, and the method of determination of the trade terms of, Cross Margining Liquidation Transactions, shall be set by JSCC taking account of the advice of IRS Default Management Committee.

6 If a Cross Margining Liquidation Transaction is executed between JSCC and a Clearing Participant for its Customer, such Cross Margining Liquidation Transaction shall be deemed as the Customer's Cleared Contract which is a Cleared Contract (Collateral Type) concluded by the Clearing Brokerage for the Customer and the legal relationship between the Clearing Participant and the Customer in relation to such Cross Margining Liquidation Transaction shall be deemed as the Clearing Brokerage Contract (Collateral Type) related to the Cross Margining Liquidation Transaction deemed as such Customer's Cleared Contract which is a Cleared Contract (Collateral Type) pursuant to the provisions of this Paragraph.

## Article 8-2. Position Transfer of Customer's Cleared Contracts upon Default of Cross Margining Accepting

## Party

1 The period to be specified in Subordinate Rules under Article 94-2.1 of the Business Rules (referred to in Article 8-3 as “Cross Margining Position Transfer Request Period”) shall be the period from the date on which the claims and obligations come into existence pursuant to the provisions of Article 84-5.1 of the Business Rules to 1:00 p.m. on the second JSCC Business Day following such date.

2 Notwithstanding the provisions of Paragraph 1, where the Customer who desires a Position Transfer and the Clearing Broker have put in place the structures set forth in Article 26-2.3 of the Handling Procedures of Interest Rate Swap Business Rules, and the Cross Margining User who desires a JGB Futures Position Transfer (and the JGB Futures Non-Clearing Participant, when the JGB Futures Contracts or the Interest Rate Futures of the Cross Margining User are traded through a brokerage of the JGB Futures Non-Clearing Participant) and the JGB Futures Clearing Participant have put in place the structures set forth in Article 26-3.2 of the Handling Procedures of Interest Rate Swap Business Rules, JSCC may permit an extension of the period set forth in Paragraph 1, up to six JSCC Business Days after the date on which the claims and obligations come into existence pursuant to the provisions of Article 84-5.1 of the Business Rules taking account of the advice of the IRS Default Management Committee, the status of the IRS Transactions, ~~and~~ JGB Futures Contracts and Interest Rate Futures Contracts, loss which JSCC may incur, and other factors. If this applies, the decision on permitting extension shall be made by JSCC on each JSCC Business Day.

3 The provisions of Articles 8.3 to 8.8 shall apply mutatis mutandis for Position Transfer of the Customer’s Cleared Contracts set forth in the provisions of Article 94-2 of the Business Rules, except that the reference to “Article 94.1 of the Business Rules” in Article 8.3 shall be deemed to have been replaced with “Article 94-2.1 of the Business Rules,” the reference to “Article 94.1.(1) and (2) of the Business Rules” in Article 8.4 shall be deemed to have been replaced with “Article 94-2.1.(1) and (2),” the references to “Article 94.5 of the Business Rules” and “Article 94.6.(2) of the Business Rules” in Article 8.5 shall be deemed to have been replaced with “Article 94.5 of the Business Rules to apply according to the provisions of Article 94-2.2 of the Business Rules” and “Article 94.6(2) of the Business Rules to apply according to the provisions of Article 94-2.2 of the Business Rules,” respectively, the reference to “Article 94.5 of the Business Rules” in Article 8.6 shall be deemed to have been replaced with “Article 94.5 of the Business Rules to apply according to the provisions of Article 94-2.2 of the Business Rules,” the references to “Article 94.6 of the Business Rules” and “Article 94.5 of the Business Rules” in Article 8.7 shall be deemed to have been replaced with “Article 94.6 of the Business Rules to apply according to the provisions of Article 94-2.2 of the Business Rules” and “Article 94.5 of the Business Rules to apply according to Article 94-2.2 of the Business Rules,” respectively, and the reference to “Article 94.6.(6) of the Business Rules” in Article 8.8 shall be deemed to have been replaced with the reference to “Article 94.6.(6) of the Business Rules to apply according to the provisions of Article 94-2.2 of the Business Rules.”

Article 8-3 ~~Listed~~JGB Futures Position Transfer of Claims and Obligations related to JGB Futures Cleared Contracts and the like ~~and Claims and Obligations related to Interest Rate Futures Cleared Contracts and the like~~ upon Default of Cross Margining Accepting Party

1 The period to be specified in Subordinate Rules under Article 94-3.1 of the Business Rules shall be the same period as the Cross Margining Position Transfer Request Period.

2 The terms and conditions to be prescribed under Article 94-3.1.(1) and (2) shall be prescribed by JSCC in a notification or public notice.

3 As to the Cross Margining MtM Difference set forth in Article 94-3.5.(4) of the Business Rules, if the aggregate amount of the Cross Margining MtM Difference paid by the Cross Margining Accepting Party to JSCC pursuant to the provisions of Article 77-2 of the Business Rules during the period from the date on which the claims and obligations come into existence pursuant to the provisions of Article 84-5.1 of the Business Rules to the date on which the ~~Listed~~JGB Futures Position Transfer is effected is positive, JSCC shall pay the amount equivalent to such Cross Margining MtM Difference to the Cross Margining Accepting Party and, if negative, the Cross Margining Accepting Party shall pay the amount equivalent to such Cross Margining MtM Difference to JSCC.

Article 21-4. Loss to be Excluded from Excess Default Loss to be Recovered by Fourth Tier Special Clearing Charge

The loss to be excluded from the Excess Default Loss remaining after recovery under Article 105 of the Business Rules set forth in Article 106.1 of the Business Rules shall be the loss of JSCC, in the case where Positions of Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts are recorded on the Defaulting Clearing Participant's Clearing Participant Account, obtained by multiplying the Excess Default Loss related to the Defaulting Clearing Participant's Cleared Contracts in Japanese yen remaining after recovery under Article 105 of the Business Rules by a fraction, the denominator of which is the net amount of the Outstanding Obligations related to the Defaulting Clearing Participant's Cleared Contracts in Japanese yen set forth in Article 101.1.(1) of the Business Rules and JSCC's obligation to pay the Early Termination Charge related to the Defaulting Clearing Participant's Cleared Contracts, JSCC's payables related to the claims and obligations which come into effect pursuant to the provisions of Article 84-5 of the Business Rules, Variation Margin deposited in respect of the Defaulting Clearing Participant's Cleared Contracts and Funds delivery of which to the Defaulting Clearing Participant have been suspended, and the numerator of which is the Outstanding Obligations of the Defaulting Clearing Participant owed to JSCC in connection with the liquidation related to the claims and obligations which come into effect pursuant to the provisions of Article 84-5.

## Supplementary Provisions

1. These amendments shall come into force as of March 4, 2024.
  
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 March 4, 2024.

## IRS Default Management Committee Rules

**Original Document Title :** 金利スワップ破綻管理委員会規則

### Article 4. Matters for Consultation

1 The matters prescribed under Article 92.1 of the Business Rules shall be as follows:

- (1) Matters concerning execution, trade conditions of and counterparties to Hedge Transactions;
- (2) Matters concerning holding, conditions, date and time and administration of Default Auction; or
- (3) Matters concerning execution, trade terms of and trade counterparty to offsetting sale (as set forth in Article 45-2.2 of the Securities and Similar Contracts Business Rules) or offsetting purchase (as set forth in Article 45-2.2 of the Securities and Similar Contracts Business Rules) of Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts;
- (4) Matters concerning execution, trade terms of and trade counterparty to Cross Margining Liquidation Transactions;
- (5) Any other matters concerning settlement and other treatment of Defaulting Clearing Participant's Cleared Contracts, ~~and~~ Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts in respect of which JSCC separately seeks advice.

2 JSCC shall take account of the Committee's or committee member's advice, if any, as to the matters listed in Paragraph 1.

### Article 6-2. Special Rules on Committee Members Advising on Default Settlement of Cross Margining User

1 Notwithstanding the provisions of Article 6, where the Clearing Broker acting as an agent for a Customer who is the Cross Margining User is appointed as a committee member, such committee member shall be removed from a committee member when the Committee gives an advice on the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts on its Customer's book. In such case, JSCC shall appoint a replacement committee member according to the order of the Clearing Participant List.

2 When the replacement committee member is appointed pursuant to the provisions of Paragraph 1,

JSCC shall place the Clearing Participant removed from a committee member pursuant to the provisions of Paragraph 1 on the top of the then current Clearing Participant List.

Supplementary Provisions

1. These amendments shall come into force as of March 4, 2024.

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 March 4, 2024.

## Business Rules

(Article 34 Notice of Measures, etc.)

1 When JSCC is to suspend assumption of all or a part of obligations, or to revoke Clearing Qualification or the registration pursuant to these Business Rules<sup>\*1</sup>, JSCC shall notify to that effect in advance to the Designated Market Operator, in respect of which either the relevant Clearing Participant, etc. or a Non-Clearing Participant which has entered into the Contract for Commissioning Clearance with such Clearing Participant has a trading qualification or a membership, and also to its Designated Securities Finance Company<sup>\*2</sup>.

(\*1 excluding the emergency suspension)

(\*2 in the case where the relevant Clearing Participant is a Securities Finance Company<sup>\*2-1</sup>, to the Designated Market Operator which designated such Securities Finance Company as the Designated Securities Finance Company)

(\*2-1 limited to the one which has obtained the Clearing Qualification pursuant to the application made under Paragraph 3 of Article 6)

2 When JSCC took measures of emergency suspension, it shall immediately notify such effect to the Designated Market Operator mentioned in the immediately preceding paragraph.

3 The provisions of Paragraph 1 shall apply *mutatis mutandis* to the case where a Clearing Participant has forfeited Clearing Qualification pursuant to Article 33 and to the case where the registration as a Registered ETF Trust Bank is revoked. In such case, the word “in advance” in said Paragraph shall be deemed to be “immediately”.

4 When JSCC has, pursuant to these Business Rules, suspended assumption of all or a part of the obligations in respect of the Brokerage for Clearing of Securities, etc., or revoked Clearing Qualification of an Agency Clearing Participant; or when an Agency Clearing Participant has forfeited Clearing Qualification pursuant to the provisions of Article 33, the relevant Agency Clearing Participant shall immediately notify to that effect to the Non-Clearing Participants which have entered into the Contract for Commissioning Clearance with it, unless JSCC specifically approves in case of the emergency suspension.

5 When JSCC prohibits the Cross Margining Request pursuant to the provisions of Paragraph 1 of Article 29, the Clearing Participant subject to such measures must immediately notify the Cross Margining User<sup>\*1</sup> and the Cross Margining Accepting Party<sup>\*2</sup> under its Cross Margining Request of such effect.

(\*1 as such term defined in Article 2.1.(13)-~~98~~ of the Interest Rate Swap Clearing Business Rules (hereinafter referred to as “IRS Business Rules”); the same applies hereinafter)

(\*2 referring to an entity which gives notice of acceptance of a Cross Margining Request pursuant to the provisions of IRS Business Rules; the same applies hereinafter)

6 When JSCC has taken the measure set forth in Article 29-2<sup>\*1</sup> or the measure set forth in Article 29-



3 with respect to a Clearing Participant, JSCC shall immediately notify to that effect to the Designated Market Operator relating to the contracts which have cross relation to the reason of the relevant measure.

(\*1 limited to the measure with respect to the Margin)

7 When JSCC has prohibited Cross Margining Request, given a Clearing Participant, etc. Instructions for Improvement, suspended assumption of all or a part of obligations, revoked Clearing Qualification or the registration, or given instructions for improvement on position holding pursuant to these Business Rules, JSCC shall notify to that effect to every Clearing Participant, etc. or publish to that effect not later than 6 months after the day on which such measure was taken; provided, however, that if JSCC deems necessary and appropriate taking into account the possible market impact should it make such notification or publication, JSCC may make such notification or publication not earlier than 6 months after the day on which such measure was taken.

8 In the event that JSCC makes notification or publication prescribed in the preceding Paragraph, JSCC shall set the extent to be notified or published on each applicable occasion taking into account the importance of the measures subject to such notification or publication, or the possible market impact should it make such notification or publication.

9 When a Clearing Participant has forfeited its Clearing Qualification pursuant to the provisions of Article 33, JSCC shall notify to that effect to each Clearing Participant\*1, and when registration of Registered ETF Trust Bank is revoked pursuant to the provision of said Article, JSCC shall notify to that effect to the Securities Clearing Participant and the ETF Special Clearing Participant, respectively.

(\*1 including the ETF Special Clearing Participant, in case of renunciation of the Securities Clearing Qualification, Securities Clearing Participant, in case of the ETF Special Clearing Qualification, respectively)

(Article 73-15-2 Cross Margining Request by JGB Futures Clearing Participant)

1 If a JGB Futures Clearing Participant falls on any of the following, it may make request to JSCC to cover its Position in JGB Futures Contracts or Interest Rate Futures Contracts on an account of a Cross Margining User under the Cross Margining\*1 in a manner prescribed by JSCC\*2:

(\*1 referring to the Cross Margining set forth in Article 2.1.(13)-5 of IRS Business Rules; the same applies hereinafter)

(\*2 hereinafter referred to as the "Cross Margining Request")

(1) When the relevant JGB Futures Clearing Participant is a Cross Margining User, and intends to cover all or a part of its Position in JGB Futures Contracts or Interest Rate Futures Contracts on its own account under the Cross Margining;

(2) When a Customer of the JGB Futures Clearing Participant or a JGB Futures Non-Clearing Participant which commissions the Brokerage for Clearing of Securities, etc. to the relevant JGB

Futures Clearing Participant is a Cross Margining User, and the JGB Futures Clearing Participant has received an application for Cross Margining Request from such Cross Margining User;

(3) When a Customer of a JGB Futures Non-Clearing Participant which commissions the Brokerage for Clearing of Securities, etc. to the relevant JGB Futures Clearing Participant is a Cross Margining User, and the JGB Futures Clearing Participant has received, from the JGB Futures Non-Clearing Participant, an application for Cross Margining Request made through such JGB Futures Non-Clearing Participant.

2 The request set forth in the immediately preceding Paragraph may only be made when the criteria prescribed by JSCC have been satisfied.

(Article 73-15-3 Restrictions on Cross Margining Request)

A JGB Futures Clearing Participant making the Cross Margining Request pursuant to the provisions of the immediately preceding Article<sup>\*1</sup> may not make any Cross Margining Request on behalf of any of the Cross Margining Users listed in each item below on the day that is one or two days preceding the date specified in the relevant item if:

(\*1 hereinafter referred to as the "Cross Margining Requestor")

(1) in respect of a Cross Margining User, its Cross Margining Accepting Party has submitted a notification to change the Cross Margining Requestor or the JGB Futures Non-Clearing Participant to which the Cross Margining User commissions the brokerage of the JGB Futures Contracts or Interest Rate Futures Contracts<sup>\*1</sup>:

Date on which the change so notified becomes effective:

(\*1 limited to the case where the Cross Margining User is a customer of the JGB Futures Non-Clearing participant)

(2) in respect of a Cross Margining User, its Cross Margining Accepting Party submitted a notification for discontinuance of using Cross Margining by the relevant Cross Margining User pursuant to the provisions of Article 84-3 of IRS Business Rules:

Day on which the usage of the Cross Margining is discontinued.

(Article 73-15-4 Claims and Obligations related to Cross Margined JGB Futures Cleared Contracts Cease to Exist)

1 If an entity listed in each of the Items below is a Cross Margining User related to the Cross Margined JGB Futures Cleared Contract<sup>\*1</sup> or the Cross Margined Interest Rate Futures Cleared Contract<sup>\*2</sup> and falls on any of the events set forth in the Items below, the claims and obligations<sup>\*3</sup> related to the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts between the Cross Margining Requestor and JSCC shall cease to exist and have no future effect:

(\*<sup>1</sup> referring to the Cross Margined JGB Futures Cleared Contracts set forth in Article 2.1.(13)-~~6-7~~ of IRS Business Rules; the same applies hereinafter)

(\*<sup>2</sup> referring to the Cross Margined Interest Rate Futures Cleared Contracts set forth in Article 2.1.(13)-6 of IRS Business Rules; the same applies hereinafter)

(\*<sup>2</sup> excluding the claims and obligations set forth in Paragraph 4)

(1) Cross Margining Requestor

- a. When the Cross Margining User becomes subject to the measures of suspending assumption of all the obligations taken by JSCC pursuant to the provisions of Paragraph 5 of Article 76, or a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings or commencement of special liquidation or acknowledgement of foreign insolvency proceedings is filed (including the petitions equivalent thereto under any foreign laws and regulations) against the Cross Margining User:
- b. When the Cross Margining User become subject to the measures of suspension of all or a part of assumption of obligations taken by JSCC, when JSCC has revoked the JGB Futures Clearing Qualification of the Cross Margining User or its Clearing Qualification has been renounced pursuant to the provisions of Article 33, and JSCC has decided to cause other Clearing Participant to settle unsettled Clearing Contracts of such person;
- c. When the Cross Margining User had its Market Transactions of Derivatives suspended by the Designated Market Operator as it is judged to be insolvent or likely to be insolvent;
- d. When a Default in respect of the Cross Margining User has been determined by JSCC pursuant to the provisions of IRS Business Rules;
- e. When, in respect of the Cross Margining User, the Clearing Brokerage Contracts under the Interest Rate Swap Clearing Brokerage Agreement executed pursuant to the provisions of Article 43 of IRS Business Rules terminate on the Early Termination Date pursuant to the provisions of the said Clearing Brokerage Agreement;
- f. When a Default in respect of the Cross Margining Accepting Party for the Cross Margining User has been determined by JSCC pursuant to the provisions of IRS Business Rules, when the Cross Margining Accepting Party for the Cross Margining User falls on any of the events set forth in Article 38.2 of IRS Business Rules or a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganisation proceedings or commencement of special liquidation or acknowledgement of foreign insolvency proceedings is filed (including the petitions equivalent thereto under any foreign laws and regulations) against the Cross Margining Accepting Party.

(2) Customer of Cross Margining Requestor

- a. In respect of the commission of a brokerage for the JGB Futures Contracts related to the Cross Margined JGB Futures Cleared Contracts or the Interest Rate Futures Contracts related to the Cross Margined Interest Rate Futures Cleared Contracts, the Cross Margining User has its obligations accelerated as a matter of course pursuant to the provisions of the Agreement for

Setting Up Futures/Options Trading Account prescribed by the Designated Market Operator;

- b. When the Cross Margining Request for the Cross Margining User falls on any of the events set forth in sub-items a. to c. of the immediately preceding Item, in which case the references to “the Cross Margining User” in sub-items a. to c. of the said Item shall be replaced with the “Cross Margining Requestor”;
- c. When the Cross Margining Accepting Party for the Cross Margining User falls on the event set forth in sub-item f. of the immediately preceding Item.

(3) JGB Futures Non-Clearing Participant

- a. When the Cross Margining User had its obligations accelerated as a matter of course pursuant to the provisions of the Contract for Commissioning Clearance related to JGB Futures, etc. executed with the Cross Margining Requestor for the commission of the Brokerage for Clearing of Securities, etc. for the JGB Futures Contracts related to the Cross Margined JGB Futures Cleared Contracts or the Interest Rate Futures Contracts related to the Cross Margined Interest Rate Futures Cleared Contracts pursuant to the provisions of Article 39;
- b. When the Cross Margining User becomes subject to the measures of suspension of a commission of the Brokerage for Clearing of Securities, etc. for Market Transactions of Derivatives by the Designated Market Operator as it is judged to be insolvent or likely to be insolvent;
- c. When the Cross Margining Requestor for the Cross Margining User falls on any of the events set forth in sub-items a. to c. of Item (1), in which case, the references to “the Cross Margining User” in sub-items a. to c. of the said Item shall be replaced with “the Cross Margining Requestor”;
- d. When the Cross Margining Accepting Party for the Cross Margining User falls on the event set forth sub-item f of Item (1);

(4) Customer of JGB Futures Non-Clearing Participant

- a. When the Cross Margining Requestor for the Cross Margining User falls on any of the events set forth in sub-items a. to c. of Item (1), in which case, the references to “the Cross Margining User” in sub-items a. to c. of the said Item shall be replaced with “the Cross Margining Requestor”;
  - b. When the Cross Margining Accepting Party for the Cross Margining User falls on the event set forth sub-item f of Item (1);
  - c. When the Cross Margining User falls on any of the events set forth in sub-item (a). of Item (2);
  - d. When the JGB Futures Non-Clearing Participant to which the brokerage for the JGB Futures Contracts or the Interest Rate Futures Contracts are commissioned by the Cross Margining User falls on any of the events set forth in sub-item (a). or b. of the immediately preceding Item; in which case, the references to “the Cross Margining User” in sub-item (a). and b. of the said Item shall be replaced with “the JGB Futures Non-Clearing Participant to which the brokerage for the JGB Futures Contracts or the Interest Rate Futures Contracts are commissioned by the Cross Margining User.”
- 2 When the claims and obligations cease to exist pursuant to the provisions of the immediately preceding Paragraph, JSCC may cause the Cross Margined JGB Futures Cleared Contracts or the

Cross Margined Interest Rate Futures Cleared Contracts of the Cross Margining Requestor under the said Paragraph to be settled through offsetting purchases or sale, ListedJGB Futures Position Transfer set forth in Article 2.1.(15)-3 of IRS Business Rules, or any other method considered necessary pursuant to the provisions of IRS Business Rules.

- 3 When JSCC deems it necessary, JSCC may have another Clearing Participant perform the settlement set forth in the immediately preceding Paragraph, in which case, the entrustment agreement shall be deemed to have been concluded between such Clearing Participant and the Cross Margining User under Paragraph 1.
- 4 The claims and obligations to be excluded from the claims and obligations cease to exist as set forth in Paragraph 1 shall be the claims and obligations related to cash to be paid/received between JSCC and the Cross Margining Requestor under Paragraph 1 in respect of the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts pursuant to the provisions of Article 73-8 or Article 73-9, which have already become due at the time when the Cross Margining Requestor, the Cross Margining Accepting Party, the Cross Margining User or the JGB Futures Non-Clearing Participant to which the Cross Margining User commissions the brokerage for the JGB Futures Contract or the Interest Rate Futures Contracts, as applicable, referred to in Paragraph 1 falls on the event set forth in the relevant Item of Paragraph 1.

(Article 73-15-5 Application of the provisions of IRS Business Rules related to ListedJGB Futures Position Transfer, etc.)

- 1 The ListedJGB Futures Position Transfer set forth in Paragraph 2 of the preceding Article shall be prescribed by Article 94-3 of IRS Business Rules.
- 2 The designation of ListedJGB Futures Backup Clearing Broker set forth in Article 2.1.(15)-8 of IRS Business rules shall be prescribed by Article 45-3 of IRS Business Rules.

(Article 73-44 Position Transfers)

- 1 In addition to the cases stipulated separately in these Business Rules, a Clearing Participant may, after obtaining JSCC's approval, transfer its Unsettled Contracts relating to Futures and Option Contracts<sup>\*1</sup> to other Clearing Participants.

(\*1) excluding those Unsettled Contracts which are contract month contracts<sup>\*1-1</sup> remaining after 1:00 P.M. on the second day from and including the Last Trading Day <sup>\*1-2</sup> of such contract month contract whose Last Trading Day for the Physically-delivered JGB Futures Contract has arrived, those Unsettled Contracts which are contract month contracts<sup>\*1-3</sup> remaining after 2:00 P.M. on the Last Trading Day<sup>\*1-4</sup> of such contract month contract whose Last Trading Day has arrived and Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures

Cleared Contracts; the same applies hereinafter in this Chapter)

(\*<sup>1-1</sup> referring to the contract month contracts specified by the Designated Market Operator<sup>\*1-1-1</sup>)

(\*<sup>1-1-1</sup> referring to the Designated Market Operator which operates the Designated Financial Instruments Market prescribed in Item (3) of Paragraph 2 of Article 3)

(\*<sup>1-2</sup> referring to the last trading day specified by the Designated Market Operator<sup>\*1-2-1</sup> with respect to the contracts in question)

(\*<sup>1-2-1</sup> referring to the Designated Market Operator which operates the Designated Financial Instruments Market prescribed in Item (3) of Paragraph 2 of Article 3)

(\*<sup>1-3</sup> referring to the contract month contracts specified by the Designated Market Operator<sup>\*1-2-1</sup>)

(\*<sup>1-4</sup> referring to the last trading day specified by the Designated Market Operator<sup>\*1-42-1</sup> with respect to the contracts in question)

(\*<sup>1-4-1</sup> referring to the Designated Market Operator which operates the Designated Financial Instruments Market prescribed in Item (6)-2 and Item (6)-3 of Paragraph 2 of Article 3)

2 When a Clearing Participant transfers its Unsettled Contracts pursuant to the provisions of the preceding Paragraph<sup>\*1</sup>, it shall obtain acknowledgement of another Clearing Participant as to the Position Transfer and submit an application to JSCC by the cutoff time prescribed by JSCC in accordance with the rules prescribed by JSCC.

(\*<sup>1</sup> hereinafter referred to as the “Position Transfer” in this Chapter)

3 In the case of the immediately preceding Paragraph, the Position Transfer shall become effective when JSCC approves such Position Transfer.

4 When implementing the Position Transfer relating to the Contracts Subject to Clearing listed in Item (3), Item (4)-2, Item (5) and Item (6)-2 of Paragraph 2 of Article 3, the Settlement Price of each contract month contract<sup>\*1</sup> or the Settlement Price of each rolling-sot contract on the Trading Day<sup>\*2</sup> which ends on the day immediately preceding the day on which the relevant Position Transfer is to be implemented shall be used as the contract price pertaining to such Position Transfer.

(\*<sup>1</sup> referring to the contract month contract specified by the Designated Market Operator in respect of the Futures and Option Contracts; the same applies hereinafter)

(\*<sup>2</sup> referring to the trading day prescribed by the Designated Market Operator with respect to Futures and Option Contracts; the same applies hereinafter)

5 In the event that an Agency Clearing Participant received notification from a Non-Clearing Participant concerning the Position Transfer in accordance with the rules prescribed by the Designated Market Operator, such Agency Clearing Participant shall submit to JSCC an application setting forth the content thereof by the cutoff time prescribed by JSCC and in accordance with the rules prescribed by JSCC, and obtain JSCC’s approval.

(Article 79-3 Cross Margining Special Clearing Charge)



- 1 When claims and obligations related to the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts between the Cross Margining Requestor and JSCC cease to exist pursuant to the provisions of Article 73-15-4, and if there remains any loss incurred by JSCC in respect of the claims and obligations which come into existence between the Cross Margining Accepting Party and JSCC pursuant to the provisions of Article 84-5 of IRS Business Rules which cannot be covered by the use of the ~~Third~~Fourth Tier Special Clearing Charge<sup>\*1</sup>, the Cross Margining Requestor shall pay the Cross Margining Special Clearing Charge in the amount equal to such remaining loss in a manner prescribed by JSCC. In this case, JSCC will cover such loss by such Cross Margining Special Clearing Charge.
- (\*1 referring to the ~~Third~~Fourth Tier Special Clearing Charge set forth in Article ~~2406.1.(41)~~ of IRS Business Rules; the same applies in Paragraph 2 below)
- 2 When the Cross Margining Requestor described in the immediately preceding Paragraph fails to pay the Cross Margining Special Clearing Charge set forth in the said Paragraph, the Cross Margining Requestor shall be deemed to have failed its performance of the settlement of the Clearing Contracts on the day on which it has determined that such loss cannot be covered fully by the ~~Fourth~~ Tier Special Clearing Charge, and the provisions of Article 76 to the preceding Article shall apply.
- 3 When JSCC deems it difficult to calculate the Cross Margining Special Clearing Charge set forth in Paragraph 1 for a considerable period of time, JSCC may deem the amount tentatively calculated by JSCC as an expected amount of such remaining loss and request the payment of the Cross Margining Special Clearing Charge in such amount on the date designated by JSCC. In this case, when the final amount of such remaining loss set forth in Paragraph 1 has been determined, the difference between such final amount of the remaining loss and the amount tentatively calculated by JSCC shall be settled between the Cross Margining Requestor under Paragraph 1 and JSCC.
- 4 When JSCC can collect its claims related to the loss recovered pursuant to the provisions of Paragraph 1 from the Cross Margining Accepting Party set forth in Paragraph 1, JSCC shall refund the amount so collected to the Cross Margining Requestor under Paragraph 1 pursuant to the provisions of IRS Business Rules.

### Supplementary Provisions

- 1 These revised Rules shall come into effect on March 4, 2024.
- 2 Notwithstanding the provisions of the preceding Paragraph, 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 March 4, 2024.

## Handling of Business Rules

(Article 20-7-3 Criteria for Cross Margining Request)

Criteria for the Cross Margining Request set forth in Paragraph 2 of Article 73-15-2 of the Business Rules shall be the following:

(1) For each Cross Margining User, the amount equal to the Required Initial Margin Amount<sup>\*1</sup> calculated by JSCC on an assumption of covering the Position in JGB Futures Contracts or Interest Rate Futures Contracts under the Cross Margining as if the Cross Margining Request related to the relevant Cross Margining User had been made is less than the Required Initial Margin Amount obtained without the said Position;

(\*1 referring to the Required Initial Margin Amount set forth in Article 64 of the IRS Business Rules; the same applies hereinafter)

(2) The Cross Margining Requestor can confirm that the Position in JGB Futures Contracts or Interest Rate Futures Contracts subject to the Cross Margining Request does not exceed the Position in JGB Futures Contracts or Interest Rate Futures Contracts on the account of the Cross Margining User made the Cross Margining Request.

### Supplementary Provisions

1 These revised Rules shall come into effect on March 4, 2024.

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 an occurrence of a system failure to the systems set up by JSCC or other institutions, which are necessary to conduct the settlement of Contracts for Clearing between JSCC and a Clearing Participant, or some other unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than March 4, 2024.

<Exhibit: Form 3>

### **Contract for Commissioning Clearance Relating to JGB Futures, Etc.**

(Article 6-2: Cross Margining Request)

1 When Party B is a Cross Margining User set forth in Interest Rate Swap Clearing Business Rules, Party B may make application to Party A related to Cross Margining Request in connection with the Position in the JGB Futures Contracts or the interest Rate Futures Contracts on its account.

2 When its customer is a Cross Margining User and Party B has received an application related to Cross Margining Request from such customer, Party B shall confirm that the Position quantity subject to such



application is not more than the Position quantity in JGB Futures Contracts or Interest Rate Futures Contracts on the account of such customer, and then may make such application related to Cross Margining Request to Party A on behalf of the customer.

3 When Party B makes application related to Cross Margining Request for itself or on behalf of its customer in accordance with the provisions of Paragraph 1, Party A shall make Cross Margining Request to JSCC.

4 Notwithstanding the provisions of Paragraphs 1 and 2, if Party A cannot make Cross Margining Request as prescribed by JSCC, Party B may make application related to Cross Margining Request to Party A neither for itself nor on behalf of its customer.

(Article 7-2: Rights and Obligations related to Cross Margined JGB Futures Cleared Contracts and Cross Margined Interest Rate Futures Cleared Contracts Cease to Exist)

1 When Party B is a Cross Margining User, at the time when the claims and obligations related to the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts between Party A and JSCC cease to exist pursuant to the provisions of Paragraph 1 of Article 73-15-4 of the Business Rules of JSCC, the rights and obligations between Party A and Party B related to the commission of the Brokerage for Clearing of Securities, etc. related to Party B's Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts and arising under the said claims and obligations shall cease to exist and have no future effect.

2 Notwithstanding the provisions of the immediately preceding Paragraph, the rights and obligations between Party A and Party B arising under the claims and obligations related to the Cross Margined JGB Futures Cleared Contracts or the Cross Margined Interest Rate Futures Cleared Contracts between Party A and JSCC which have already become due as set forth in Paragraph 4 of Article 73-15-4 of the Business Rules of JSCC shall remain in existence.

(Article 8: Handling in Cases Involving Suspension of Payment, etc.)

1 In the event that any of the Items under Paragraph 1 of Article 7 applies to Party B, Party A may, in its discretion, execute an Offsetting-Sale or Offsetting-Purchase relating to the JGB Futures Contracts or the Interest Rate Futures Contracts, or an Offsetting-Sale, Offsetting-Purchase or exercise of an option relating to the Option Contracts on JGB Futures (including the commission thereof) on Party B's account, which are necessary for settlement of all of the contracts (other than those related to Cross Margined JGB Futures Cleared Contracts or Cross Margined Interest Rate Futures Cleared Contracts) pertaining to Party B's Subject Contracts pursuant to the commission of the Brokerage for Clearing of Securities, etc.

2 In the event that Item (1) of Paragraph 2 of Article 7 applies to Party B, Party A may, in its discretion, buy or sell Japanese Government Bonds, execute an Offsetting-Sale or Offsetting-Purchase relating to the JGB Futures Contracts or the Interest Rate Futures Contracts, or execute an Offsetting-Sale, Offsetting-

Purchase or exercise of an option relating to the Option Contracts on JGB Futures (including the commission thereof) on Party B's account, which are necessary for settlement of the contracts pertaining to the Subject Contracts in relation to the relevant delay pursuant to the commission of the Brokerage for Clearing of Securities, etc.

- 3 In the event that any of the Items under Paragraph 2 of Article 7 applies to Party B, Party B shall, upon Party A's request therefor and by the date and time designated by Party A, commission the Brokerage for Clearing of Securities, etc. for the buying/selling Japanese Government Bonds, commission the Brokerage for Clearing of Securities, etc. for the Offsetting-Sale or Offsetting-Purchase relating to the JGB Futures Contracts or the Interest Rate Futures Contracts, commission the Brokerage for Clearing of Securities, etc. for the Offsetting-Sale or Offsetting-Purchase, or issue notice concerning the exercise of options, relating to the Option Contract on JGB Futures, which are necessary for settlement of all of the contracts pertaining to Party B's Subject Contracts pursuant to the commission of the Brokerage for Clearing of Securities, etc.
- 4 If Party B fails to commission the Brokerage for Clearing of Securities, etc. for the buying/selling Japanese Government Bonds, commission the Brokerage for Clearing of Securities, etc. for the Offsetting-Sale or Offsetting-Purchase relating to the JGB Futures Contracts or the Interest Rate Futures Contracts, or commission the Brokerage for Clearing of Securities, etc. for the Offsetting-Sale or Offsetting-Purchase or issue notice of the exercise of options relating to the Option Contract on JGB Futures, by the date and time referenced in the preceding Paragraph, Party A may, in its discretion, buy or sell the Japanese Government Bonds, execute the Offsetting-Sale or Offsetting-Purchase relating to the JGB Futures Contracts or the Interest Rate Futures Contracts, or execute the Offsetting-Sale or Offsetting-Purchase or exercise options relating to the Option Contract on JGB Futures (including the commission thereof), on Party B's account, which are necessary for settlement of the contracts pertaining to the Subject Contracts pursuant to the commission of the Brokerage for Clearing of Securities, etc.
- 5 Notwithstanding the provisions of the preceding Paragraphs, if the Designated Market Operator takes measures, disciplinary measures or other actions to revoke Party B's trading qualification, expel Party B, suspend or restrict Party B's membership rights, or suspend Party B from commissioning the Brokerage for Clearing of Securities, etc. (limited to those related to the Brokerage for Clearing of Securities, etc. pertaining to the Subject Contracts under this Contract), Party A and Party B shall comply with the provisions prescribed by JSCC and/or the Designated Market Operator which takes such measures, disciplinary measures or other actions.
- 6 In the event that Party A incurs any loss as a result of the buying/selling the Japanese Government Bonds, the execution of the Offsetting-Sale or Offsetting-Purchase relating to the JGB Futures Contracts or the Interest Rate Futures Contracts, or the execution of the Offsetting-Sale, Offsetting-Purchase or exercise of options relating to the Option Contract on JGB Futures (including the commission thereof), pursuant to the provisions of Paragraph 1 through Paragraph 4, or as a result of the buying/selling the Japanese Government Bonds, the execution of the Offsetting-Sale or Offsetting-Purchase relating to the

JGB Futures Contracts or the Interest Rate Futures Contracts, or the execution of the Offsetting-Sale, Offsetting-Purchase or exercise of options relating to the Option Contract on JGB Futures (including the commission thereof) in accordance with the provisions prescribed by JSCC and/or the Designated Market Operator pursuant to the provisions of the preceding Paragraph, Party B shall immediately pay to Party A an amount equal to such loss.

7 Notwithstanding the provisions of Paragraph 1 or 5, when Party B is a Cross Margining User and the rights and obligations related to the commission of the Brokerage for Clearing of Securities, etc. of Party B's JGB Futures Contracts related to Cross Margined JGB Futures Cleared Contracts or the rights and obligations related to the commission of the Brokerage for Clearing of Securities, etc. of Party B's Interest Rate Futures Contracts related to Cross Margined Interest Rate Futures Cleared Contracts cease to exist pursuant to the provisions of the immediately preceding Article, Party A and Party B shall settle JGB Futures Contracts or Interest Rate Futures Contracts related to such Cleared Contracts pursuant to the provisions of the Business Rules of JSCC.

## Rules on Required Amount of Clearing Fund

### <Appendix> Table Concerning Calculation of Required Amount of Clearing Fund

#### 1 Required Amount of Clearing Fund for Securities Clearing Qualification<sup>\*1</sup>

(<sup>\*1</sup> hereinafter referred to as "Required Amount of Clearing Fund for Securities Clearing") The Required Amount of Clearing Fund for Securities Clearing shall be the amount calculated in accordance with the formula set forth below; provided, however, that if such amount is less than 10 million yen, the Required Amount of Clearing Fund for Securities Clearing shall be 10 million yen — the terms used in the formula shall have the meanings set forth in A) through C) below:

Required Amount of Clearing Fund for Securities Clearing

= Aggregate Securities Clearing Fund x Individual Company Prorated Base  
Initial Margin Requirement  
/ Total Prorated Base Initial Margin Requirement

A) Aggregate Securities Clearing Fund means the average of daily largest risk amount exceeding collateral during the calculation period<sup>\*1</sup>

(<sup>\*1</sup> referring to a period of 6 months preceding the base date for calculation of required amount of clearing fund for securities; the same applies in Paragraph 8)

(Note 1) Daily largest risk amount exceeding collateral means the total of the Risk Amounts Exceeding Collateral of the top 2 Clearing Participants in terms of the Clearing Participant's Risk Amount Exceeding Collateral<sup>\*1</sup>

(<sup>\*1</sup> or, if any Affiliated Company<sup>\*1-1</sup> also is a Clearing Participant, the sum of Risk Amount Exceeding Collateral of the Clearing Participant and such Affiliated Company)

(<sup>\*1-1</sup> referring to the Affiliated Company defined in Paragraph 5 of Article 8 of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc. (Ministry of Finance Order No. 59 of 1963) and the Associated Company defined in Paragraph 8 of Article 8 of the said Ordinance)

(Note 1-1) Risk Amount Exceeding Collateral means the amount obtained by subtracting the required amount of initial margin<sup>\*1</sup> of the relevant Clearing Participant calculated in accordance with the provisions of Article 15-2 of the Business Rules on the day preceding the date on which the

Risk Amount Exceeding Collateral is calculated from the loss<sup>\*2</sup> expected to arise from the Unsettled Contracts of the Clearing Participant under the stress scenario<sup>\*3</sup>.

(\*1 or, if the required amount of initial margin (the intraday amount) is calculated pursuant to the provisions of Article 15-3 of the Business Rules on the day on which the Risk Amount Exceeding Collateral is calculated and the amount obtained by subtracting the required amount of initial margin on the day preceding the date on which the Risk Amount Exceeding Collateral is calculated from the required amount of initial margin (the intraday amount) so calculated exceeds 30 million yen, then the required amount of initial margin (the intraday amount))

(\*2 when an ETF Special Clearing Participant who belongs the same corporate group<sup>\*21</sup> as the relevant Clearing Participant exists, the larger of the loss amount arising from Unsettled Contracts of the relevant Clearing Participant or the loss arising from the relevant Unsettled Contracts excluding the Unsettled Contracts related to Contracts Subject to Clearing between the relevant Clearing Participant and the relevant ETF Special Clearing Participant set forth in Item (12) or (13) of Paragraph 2 of Article 3 of the Business Rules.)

(\*2-1 referring to a corporate group set forth in Item (2) of Paragraph 1 of Article 5 of the Financial Instruments and Exchange Act)

(\*3referring to a combination of price fluctuations prescribed by JSCC as an extreme but plausible market condition)

B) Individual Company Prorated Base Initial Margin Requirement means the daily average of the required amount of initial margin for Securities Clearing Qualification of the relevant Clearing Participant<sup>\*1</sup> during the month in which the base date for calculation of required amount of clearing fund for securities and FX belongs.

(\*1 limited to the required amount calculated in accordance with the provisions of Article 15-2 of the Business Rules)

C) Total Prorated Base Initial Margin Requirement means the daily average of the aggregated required amount of initial margin for Securities Clearing Qualification<sup>\*1</sup> of all Clearing Participants during the month in which the base date for calculation of required amount of clearing fund for securities and FX belongs.

(\*1 limited to the required amount calculated in accordance with the provisions of Article

2 Required Amount of Clearing Fund for JGB Futures Clearing Qualification<sup>\*1</sup>

(<sup>\*1</sup> hereinafter referred to as “Required Amount of Clearing Fund for JGB Futures”) Required Amount of Clearing Fund for JGB Futures shall be the amount calculated in accordance with the formula set forth below; provided, however, that if such amount is less than 10 million yen, Required Amount of Clearing Fund for JGB Futures shall be 10 million yen — the terms used in the formula shall have the meanings set forth in A) through C) below.

Required Amount of Clearing Fund for JGB Futures

$$= (\text{Greater of Period Average Base PML Amount}_{\text{JGB}} \text{ and Daily Largest Base PML}_{\text{JGB}}) \\ \times \text{Individual Company Prorated Base IM Amount}_{\text{JGB}} \\ / \text{Total Prorated Base IM Amounts}_{\text{JGB}}$$

A) Period Average Base PML Amount<sub>JGB</sub> means the average amount during the Calculation Period<sup>\*1</sup> of Daily Largest Base PML Amount<sub>JGB</sub>.

(<sup>\*1</sup> meaning six (6) months period preceding the base date for calculation of required amount of clearing fund for futures and option; the same applies in Paragraphs 3 to 7)

(Note 1) Daily Largest Base PML Amount<sub>JGB</sub> refers to the largest of the Largest Base PML Amounts<sub>JGB</sub> per Stress Scenario on each day.

(Note 1-1) Largest Base PML Amount<sub>JGB</sub> per Stress Scenario refers to the total sum of Base PML Amounts<sub>JGB</sub> of the Clearing Participants<sup>\*1</sup> whose Base PML Amount<sub>JGB</sub> becomes the largest and the second largest in each stress scenario.

(<sup>\*1</sup> if any subsidiary or affiliate, or the parent company of such Clearing Participant, or any subsidiary or affiliate of the parent company (“Affiliated Company”) also is a Clearing Participant, the sum of Base PML Amounts<sub>JGB</sub> of the Clearing Participant and such Affiliated Company)

(Note 1-1-1) The stress scenario refers to a combination of price fluctuation and volatility variation prescribed by JSCC as extreme but plausible market condition; the same applies hereinafter in this Appendix.

(Note 1-1-2) Base PML Amount<sub>JGB</sub> shall be sum total of the amount<sup>\*1</sup> obtained, in respect of each account<sup>\*2</sup> related to JGB Futures Clearing Qualification, by subtracting the amount equivalent to the amount required for Margin related to the JGB Futures Clearing Qualification<sup>\*3</sup> from the loss amount arising from the Unsettled Contracts<sup>\*4</sup> under the stress scenarios.

(\*1 positive value only, for accounts other than the account set forth in Item (1) of Article 46-3 of the Business Rules)

(\*2 referring to each account set forth in Article 46-3 and Article 46-4 of the Business Rules)

(\*3 referring to the amount equivalent to the amount required for Margin calculated for

Position by each category of the Clearing Qualification<sup>\*3-1</sup>; the same applies hereinafter) (\*3-1 excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

(\*4 excluding those subject to Cross Margined JGB Futures Cleared Contract or Cross Margined Interest Rate Futures Cleared Contract at the time of calculation)

B) Individual Company Prorated Base IM Amount<sub>JGB</sub> means the average of the aggregate of the amount equivalent to the amount required for the Margin<sup>\*1</sup> of each Clearing Participant in relation to JGB Futures Clearing Qualification on each Trading Day during the one month period preceding the base date for calculation of required amount of clearing fund for futures and option.

(\*1 referring to the total sum of the amount equivalent to the amount required for the Margin related to JGB Futures Clearing Qualification for accounts set forth in Article 46-3 and Article 46-4 of the Business Rules that are managed by each Clearing Participant<sup>\*1-1</sup>)

(\*1-1 excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

C) Total Prorated Base IM Amounts<sub>JGB</sub> means the sum total of the Individual Company Prorated Base IM Amounts<sub>JGB</sub> set forth in B) above of all the JGB Futures Clearing Participants.

### 3 Required Amount of Clearing Fund for Index Futures Clearing Qualification<sup>\*1</sup>

(\*1 hereinafter referred to as the “Required Amount of Clearing Fund for Index Futures”) Required Amount of Clearing Fund for Index Futures shall be the amount calculated in accordance with the formula set forth below; provided, however, that if such amount is less than 10 million yen, Required Amount of Clearing Fund for Index Futures shall be 10 million yen — the terms used in the formula shall have the meanings set forth in A) through C) below.

## Required Amount of Clearing Fund for Index Futures

= (Greater of Period Average Base PML Amount<sub>IDX</sub> and Daily Largest Base PML<sub>IDX</sub>) x Individual Company Prorated Base IM Amount<sub>IDX</sub>  
/ Total Prorated Base IM Amounts<sub>IDX</sub>

A) Period Average Base PML Amount<sub>IDX</sub> means the average amount during the Calculation Period of Daily Largest Base PML Amount<sub>IDX</sub>.

(Note 1) Daily Largest Base PML Amount<sub>IDX</sub> refers to the largest of the Largest Base PML Amounts<sub>IDX</sub> per Stress Scenario on each day.

(Note 1-1) Largest Base PML Amount<sub>IDX</sub> per Stress Scenario refers to the total sum of Base PML Amounts<sub>IDX</sub> of the Clearing Participants<sup>\*1</sup> whose Base PML Amount<sub>IDX</sub> becomes the largest and the second largest in each stress scenario.

(\*1 if any subsidiary or affiliate, or the parent company of such Clearing Participant, or any subsidiary or affiliate of the parent company ("Affiliated Company") also is a Clearing Participant, the sum of Base PML Amounts<sub>IDX</sub> of the Clearing Participant and such Affiliated Company)

(Note 1-1-1) Base PML Amount<sub>IDX</sub> shall be sum total of the amount<sup>\*1</sup> obtained, in respect of each account<sup>\*2</sup> related to Index Futures Clearing Qualification, by subtracting the amount equivalent to the amount required for Margin related to the Index Futures Clearing Qualification<sup>\*3</sup> from the loss amount arising from the Unsettled Contracts under the stress scenarios.

(\*1 positive value only, for accounts other than the account set forth in Item (1) of Article 46-3 of the Business Rules)

(\*2 referring to each account set forth in Article 46-3 and Article 46-4 of the Business Rules)

(\*3 excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

B) Individual Company Prorated Base IM Amount<sub>IDX</sub> means the average of the aggregate of the amount equivalent to the amount required for the Margin<sup>\*1</sup> of each Clearing Participant in relation to Index Futures Clearing Qualification on each Trading Day during the one month period preceding the base date for calculation of required amount of clearing fund for futures and option.

(\*1 referring to the total sum of the amount equivalent to the amount required for the Margin related to Index Futures Clearing Qualification for accounts set forth in Article 46-3 and Article 46-4 of the Business Rules that are managed by each Clearing Participant<sup>\*1-1</sup>)

(\*1-1 excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)



C) Total Prorated Base IM Amounts<sub>IDX</sub> means the sum total of the Individual Company Prorated Base IM Amounts<sub>IDX</sub> set forth in B) above of all Index Futures Clearing Participants.

#### 4 Required Amount of Clearing Fund for Precious Metal Futures Clearing Qualification<sup>\*1</sup>

(<sup>\*1</sup> hereinafter referred to as “Required Amount of Clearing Fund for Precious Metal Futures”) Required Amount of Clearing Fund for Precious Metal Futures shall be the amount calculated in accordance with the formula set forth below; provided, however, that if such amount is less than 10 million yen, Required Amount of Clearing Fund for Precious Metal Futures shall be 10 million yen — the terms used in the formula shall have the meanings set forth in A) through E) below.

Required Amount of Clearing Fund for Precious Metal Futures

$$= (\text{Greater of Period Average Base PML Amount}_{\text{PME}} \text{ and Daily Largest Base PML}_{\text{PME}}) \times (\text{Individual Company Prorated Base IM Amount}_{\text{PME}} / \text{Total Prorated Base IM Amounts}_{\text{PME}} \times 0.5 + \text{Each Participant Prorated Base PML Amount}_{\text{PME}} / \text{Total Prorated Base PML Amount}_{\text{PME}} \times 0.5)$$

A) Period Average Base PML Amount<sub>PME</sub> means the average amount during the Calculation Period of Daily Largest Base PML Amount<sub>PME</sub>.

(Note 1) Daily Largest Base PML Amount<sub>PME</sub> refers to the largest of the Largest Base PML Amounts<sub>PME</sub> per Stress Scenario on each day.

(Note 1-1) Largest Base PML Amount<sub>PME</sub> per Stress Scenario refers to the total sum of Base PML Amounts<sub>PME</sub> of the Clearing Participant<sup>\*1</sup> whose Base PML Amount<sub>PME</sub> becomes the largest in each stress scenario and Base PML Amounts<sub>PME</sub> in such stress scenario of five (5) Clearing Participants with the lowest amounts of net worth<sup>\*2</sup>.

(<sup>\*1</sup> if any Affiliated Company also is a Clearing Participant, the sum of Base PML Amounts<sub>PME</sub> of the Clearing Participant and such Affiliated Company)

(<sup>\*2</sup> in the case of a Registered Financial Institution and Commercials, the amount of its net assets; the same applies hereinafter in this Appendix)

(Note 1-1-1) Base PML Amount<sub>PME</sub> shall be sum total of the amount<sup>\*1</sup> obtained, in respect of each account<sup>\*2</sup> related to the Precious Metal Futures Clearing Qualification, by subtracting the amount equivalent to the amount required for Margin related to the Precious Metal Futures Clearing

Qualification<sup>\*3</sup> from the loss amount arising from the Unsettled Contracts under the stress scenarios. The same applies in D) below.

(\*<sup>1</sup> positive value only, for accounts other than the account set forth in Item (1) of Article 46-3 of the Business Rules)

(\*<sup>2</sup> referring to each account set forth in Article 46-3 and Article 46-4 of the Business Rules)

(\*<sup>3</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

B) Individual Company Prorated Base IM Amount<sub>PME</sub> means the average of the aggregate of the amount equivalent to the amount required for Margin<sup>\*1</sup> of each Clearing Participant in relation to the Precious Metal Futures Clearing Qualification on each trading day during the one month period preceding the base date for calculation of required amount of clearing fund.

(\*<sup>1</sup> referring to the total sum of the amount equivalent to the amount required for Margin related to the Precious Metal Futures Clearing Qualification for accounts set forth in Article 46-3 and Article 46-4 of the Business Rules that are managed by each Clearing Participant<sup>\*1-1</sup>)

C) (\*<sup>1-1</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts) Total Prorated Base IM Amounts<sub>PME</sub> means the sum total of the Individual Company Prorated Base IM

Amounts<sub>PME</sub> set forth in B) above of all the Precious Metal Futures Clearing Participants.

D) "Each Participant Prorated Base PML Amount<sub>PME</sub>" means the average of the largest value of the base PML Amount<sub>PME</sub> under the stress scenarios on each trading day during the one-month period preceding the base date for calculation of required amount of clearing fund for futures and option for each Clearing Participant.

E) "Total Prorated Base PML Amounts<sub>PME</sub>" means the sum total of the Each Participant Prorated Base PML Amounts<sub>PME</sub> under D) above of all Clearing Participants.

## 5 Required Amount of Clearing Fund for Rubber Futures Clearing Qualification<sup>\*1</sup>

(\*<sup>1</sup> hereinafter referred to as "Required Amount of Clearing Fund for Rubber Futures")

Required Amount of Clearing Fund for Rubber Futures shall be the amount calculated in accordance with the formula set forth below — the terms used in the formula shall have the meanings set forth in A)

through E) below.

Required Amount of Clearing Fund for Rubber Futures

= (Greater of Period Average Base PML Amount<sub>RUB</sub> and Daily Largest Base PML<sub>RUB</sub>) x (Individual Company Prorated Base IM Amount<sub>RUB</sub> / Total Prorated Base IM Amounts<sub>RUB</sub> x 0.5 + Each Participant Prorated Base PML Amount<sub>RUB</sub> / Total Prorated Base PML Amount<sub>RUB</sub> x 0.5)

A) Period Average Base PML Amount<sub>RUB</sub> means the average amount during the Calculation Period of Daily Largest Base PML Amount<sub>RUB</sub>.

(Note 1) Daily Largest Base PML Amount<sub>RUB</sub> refers to the largest of the Largest Base PML Amounts<sub>RUB</sub> per Stress Scenario on each day.

(Note 1-1) Largest Base PML Amount<sub>RUB</sub> per Stress Scenario refers to the total sum of Base PML Amounts<sub>RUB</sub> of the Clearing Participant\*<sup>1</sup> whose Base PML Amount<sub>RUB</sub> becomes the largest in each stress scenario and Base PML Amounts<sub>RUB</sub> in such stress scenario of five (5) Clearing Participants with the lowest amounts of net worth.

(\*<sup>1</sup> if any Affiliated Company also is a Clearing Participant, the sum of Base PML Amounts<sub>RUB</sub> of the Clearing Participant and such Affiliated Company)

(Note 1-1-1) Base PML Amount<sub>RUB</sub> shall be sum total of the amount\*<sup>1</sup> obtained, in respect of each account\*<sup>2</sup> related to the Rubber Futures Clearing Qualification, by subtracting the amount equivalent to the amount required for Margin related to the Rubber Futures Clearing Qualification\*<sup>3</sup> from the loss amount arising from the Unsettled Contracts under the stress scenarios. The same applies in D) below.

(\*<sup>1</sup> positive value only, for accounts other than the account set forth in Item (1) of Article 46-3 of the Business Rules)

(\*<sup>2</sup> referring to each account set forth in Article 46-3 and Article 46-4 of the Business Rules)

(\*<sup>3</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

B) Individual Company Prorated Base IM Amount<sub>RUB</sub> means the average of the aggregate of the amount equivalent to the amount required for Margin\*<sup>1</sup> of each Clearing Participant in relation to the Rubber Futures Clearing Qualification on each trading day during the one month period preceding the base date for calculation of required amount of clearing fund. (\*<sup>1</sup> referring to the total sum of the amount

equivalent to the amount required for Margin related to the Rubber Futures Clearing Qualification for accounts set forth in Article 46-3 and Article 46-4 of the Business Rules that are managed by each Clearing Participant\*11)

(\*1-1 excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

- C) Total Prorated Base IM Amounts<sub>RUB</sub> means the sum total of the Individual Company Prorated Base IM Amounts<sub>RUB</sub> set forth in B) above of all the Rubber Futures Clearing Participants.
- D) "Each Participant Prorated Base PML Amount<sub>RUB</sub>" means the average of the largest value of the base PML Amount<sub>RUB</sub> under the stress scenarios on each trading day during the one-month period preceding the base date for calculation of required amount of clearing fund for futures and option for each Clearing Participant.
- E) "Total Prorated Base PML Amounts<sub>RUB</sub>" means the sum total of the Each Participant Prorated Base PML Amounts<sub>RUB</sub> under D) above of all Clearing Participants.

## 6 Required Amount of Clearing Fund for Agricultural Futures Clearing Qualification\*1

(\*1 hereinafter referred to as "Required Amount of Clearing Fund for Agricultural Futures") Required Amount of Clearing Fund for Agricultural Futures shall be the amount calculated in accordance with the formula set forth below — the terms used in the formula shall have the meanings set forth in A) through C) below.

Required Amount of Clearing Fund for Agricultural Futures

$$= (\text{Greater of Period Average Base PML Amount}_{\text{AGR}} \text{ and Daily Largest Base PML}_{\text{AGR}}) \times (\text{Individual Company Prorated Base IM Amount}_{\text{AGR}} / \text{Total Prorated Base IM Amounts}_{\text{AGR}} \times 0.5 + \text{Each Participant Prorated Base PML Amount}_{\text{AGR}} / \text{Total Prorated Base PML Amount}_{\text{AGR}} \times 0.5)$$

- A) Period Average Base PML Amount<sub>AGR</sub> means the average amount during the Calculation Period of Daily Largest Base PML Amount<sub>AGR</sub>.

(Note 1) Daily Largest Base PML Amount<sub>AGR</sub> refers to the largest of the Largest Base PML Amounts<sub>AGR</sub> per Stress Scenario on each day.

(Note 1-1) Largest Base PML Amount<sub>AGR</sub> per Stress Scenario refers to the total sum of Base PML Amounts<sub>AGR</sub> of the Clearing Participant\*<sup>1</sup> whose Base PML Amount<sub>AGR</sub> becomes the largest in each stress scenario and Base PML Amounts<sub>AGR</sub> in such stress scenario of five (5) Clearing Participants with the lowest amounts of net worth.

(\*<sup>1</sup> if any Affiliated Company also is a Clearing Participant, the sum of Base PML Amounts<sub>AGR</sub> of the Clearing Participant and such Affiliated Company)

(Note 1-1-1) Base PML Amount<sub>AGR</sub> shall be sum total of the amount\*<sup>1</sup> obtained, in respect of each account\*<sup>2</sup> related to the Agricultural Futures Clearing Qualification, by subtracting the amount equivalent to the amount required for Margin related to the Agricultural Futures Clearing Qualification\*<sup>3</sup> from the loss amount arising from the Unsettled Contracts under the stress scenarios. The same applies in D) below.

(\*<sup>1</sup> positive value only, for accounts other than the account set forth in Item (1) of Article 46-3 of the Business Rules)

(\*<sup>2</sup> referring to each account set forth in Article 46-3 and Article 46-4 of the Business Rules)

(\*<sup>3</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

B) Individual Company Prorated Base IM Amount<sub>AGR</sub> means the average of the aggregate of the amount equivalent to the amount required for Margin\*<sup>1</sup> of each Clearing Participant in relation to the Agricultural Futures Clearing Qualification on each trading day during the one month period preceding the base date for calculation of required amount of clearing fund.

(\*<sup>1</sup> referring to the total sum of the amount equivalent to the amount required for Margin related to the Agricultural Futures Clearing Qualification for accounts set forth in Article 46-3 and Article 46-4 of the Business Rules that are managed by each Clearing Participant\*<sup>1-1</sup>)

(\*<sup>1-1</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

C) Total Prorated Base IM Amounts<sub>AGR</sub> means the sum total of the Individual Company Prorated Base IM Amounts<sub>AGR</sub> set forth in B) above of all the Agricultural Futures Clearing Participants.

D) "Each Participant Prorated Base PML Amount<sub>AGR</sub>" means the average of the largest value of the base PML Amount<sub>AGR</sub> under the stress scenarios on each trading day during the one-month period preceding the base date for calculation of required amount of clearing fund for futures and option for

each Clearing Participant.

E) "Total Prorated Base PML Amounts<sub>AGR</sub>" means the sum total of the Each Participant Prorated Base PML Amounts<sub>AGR</sub> under D) above of all Clearing Participants.

#### 7 Required Amount of Clearing Fund for Petroleum Futures Clearing Qualification<sup>\*1</sup>

(\*1 hereinafter referred to as the "Required Amount of Clearing Fund for Petroleum Futures") Required Amount of Clearing Fund for Petroleum Futures shall be the amount calculated in accordance with the formula set forth below — the terms used in the formula shall have the meanings set forth in A) through E) below.

Required Amount of Clearing Fund for Petroleum Futures

$$= (\text{Greater of Period Average Base PML Amount}_{\text{PTL}} \text{ and Daily Largest Base PML}_{\text{PTL}}) \times (\text{Individual Company Prorated Base IM Amount}_{\text{PTL}} / \text{Total Prorated Base IM Amounts}_{\text{PTL}} \times 0.5 + \text{Each Participant Prorated Base PML Amount}_{\text{PTL}} / \text{Total Prorated Base PML Amount}_{\text{PTL}} \times 0.5)$$

A) Period Average Base PML Amount<sub>PTL</sub> means the average amount during the Calculation Period of Daily Largest Base PML Amount<sub>PTL</sub>.

(Note 1) Daily Largest Base PML Amount<sub>PTL</sub> refers to the largest of the Largest Base PML Amounts<sub>PTL</sub> per Stress Scenario on each day.

(Note 1-1) Largest Base PML Amount<sub>PTL</sub> per Stress Scenario refers to the total sum of Base PML Amounts<sub>PTL</sub> of the Clearing Participants<sup>\*1</sup> whose Base PML Amount<sub>PTL</sub> becomes the largest and the second largest in each stress scenario.

(\*1 if any subsidiary or affiliate, or the parent company of such Clearing Participant, or any subsidiary or affiliate of the parent company ("Affiliated Company") also is a Clearing Participant, the sum of Base PML Amounts<sub>PTL</sub> of the Clearing Participant and such Affiliated Company)

(Note 1-1-1) Base PML Amount<sub>PTL</sub> shall be sum total of the amount<sup>\*1</sup> obtained, in respect of each account<sup>\*2</sup> related to Petroleum Futures Clearing Qualification, by subtracting the amount equivalent to the amount required for Margin related to the Petroleum Futures Clearing Qualification<sup>\*3</sup> from the loss amount arising from the Unsettled Contracts under the stress scenarios. The same applies in D) below.

(\*1 positive value only, for accounts other than the account set forth in Item (1) of Article 46-3 of the Business Rules)

(\*2 referring to each account set forth in Article 46-3 and Article 46-4 of the Business Rules)

(\*<sup>3</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

B) Individual Company Prorated Base IM Amount<sub>PTL</sub> means the average of the aggregate of the amount equivalent to the amount required for the Margin<sup>\*1</sup> of each Clearing Participant in relation to Petroleum Futures Clearing Qualification on each Trading Day during the one month period preceding the base date for calculation of required amount of clearing fund for futures and option.

(\*<sup>1</sup> referring to the total sum of the amount equivalent to the amount required for the Margin related to Petroleum Futures Clearing Qualification for accounts set forth in Article 46-3 and Article 46-4 of the Business Rules that are managed by each Clearing Participant<sup>\*1-1</sup>)

(\*<sup>1-1</sup> excluding the amount of the preliminary Margin add-on set forth in Paragraph 1 of Article 9-2 of the Rules on Margins, etc. for Futures and Option Contracts)

C) Total Prorated Base IM Amounts<sub>PTL</sub> means the sum total of the Individual Company Prorated Base IM Amounts<sub>PTL</sub> set forth in B) above of all Petroleum Futures Clearing Participants.

D) "Each Participant Prorated Base PML Amount<sub>PTL</sub>" means the average of the largest value of the base PML Amount<sub>PTL</sub> under the stress scenarios on each trading day during the one-month period preceding the base date for calculation of required amount of clearing fund for futures and option for each Clearing Participant.

E) "Total Prorated Base PML Amounts<sub>PTL</sub>" means the sum total of the Each Participant Prorated Base PML Amounts<sub>PTL</sub> under D) above of all Clearing Participants.

## 8 Required Amount of Clearing Fund for FX Clearing Qualification<sup>\*1</sup>

(\*<sup>1</sup> hereinafter referred to as the "Required Amount of FX Clearing Fund")

Required Amount of FX Clearing Fund shall be the amount calculated in accordance with the formula set forth below; provided, however, that if such amount is not equal to the integral multiple of 1,000,000 yen, it shall be the integral multiple of 1,000,000 yen exceeding such amount which is the smallest. — the terms used in the formula shall have the meanings set forth in A) through C) below.

Required Amount of FX Clearing Fund = Period Largest

Base PML Amount<sub>FX</sub> x Individual Company Prorated Base

IM Amount<sub>FX</sub>

/ Total Prorated Base IM Amounts<sub>FX</sub>

A) Period Largest Base PML Amount<sub>FX</sub> means the largest of the Daily PML Base Amount during the Calculation Period.

(Note 1) Daily PML Base Amount means the smallest amount which can cover 99.74% of the amount of expected losses of the top two companies on each day during the Expected Price Fluctuation Reference Period.

(Note 1-1) Expected Price Fluctuation Reference Period means the past twenty years from a certain Trading Day.

(Note 1-2) The amount of expected losses of the top two companies means the total sum of the Daily Expected Loss Amounts of two companies whose Daily Expected Loss Amount on each day during the Expected Price Fluctuation Reference Period ranked top two.

(Note 1-2-1) Daily Expected Loss Amount means, on each day during the Expected Price Fluctuation Reference Period, the amount equal to valuation loss<sup>\*1</sup> of each FX Clearing Participant arising in the event of Expected Price Fluctuation, less Deposited Amount of Margins of Exchange FX Contracts.

(\*1 referring to the payment amount of such FX Clearing Participant among the total sum of the differences<sup>\*1-1</sup> arising from the Positions held by such FX Clearing Participants on such Trading Day)

(\*1-1 referring to the money prescribed in Article 73-34, 73-35 and 73-37 of the Business Rules)

(Note 1-2-1-1) Expected Price Fluctuation means the fluctuation range of each Financial Index obtained by multiplying the Settlement Price of respective Financial Index on each day during the Expected Price Fluctuation Reference Period by the three-day volatility for each such Financial Index<sup>\*1</sup>

(\*1 referring to the differences between the Settlement Price for each Financial Index on each such day and the Settlement Price for each Financial Index on the day that is three Trading Days prior to such day, divided by the Settlement Price for the Financial Index on the day that is three Trading Days prior to such day)

(Note 1-2-1-2) Deposited Amount of Margins of Exchange FX Contracts means total sum of the amount of cash deposited with JSCC by such FX Clearing Participant as Margin for Exchange FX Contracts for its proprietary account on such Trading Day, and the required amount of Margins for customer accounts and those pertaining to the Brokerage for Clearing of Securities, etc. notified to JSCC by the FX Clearing Participant on such Trading Day in accordance with the provisions of Paragraph 1 of Article 21 of Rules on Margins, etc. for Exchange FX Contracts.



B) Individual Company Prorated Base IM Amount<sub>FX</sub> means the average of the amount required for the Margin<sup>\*1</sup> of each FX Clearing Participant applicable to each Trading Day in the month in which the base date for calculation of required amount of clearing fund for securities and FX.

(\*1 referring to the total sum of the required amount of Margins for proprietary account as well as those for customer accounts and those pertaining to the Brokerage for Clearing of Securities, etc. notified to JSCC by the FX Clearing Participant in accordance with the provisions of Paragraph 1 of Article 21 of Rules on Margins, etc. for Exchange FX Contracts)

C) Total Prorated Base IM Amounts<sub>FX</sub> means the sum total of the Individual Company Prorate Base IM Amounts<sub>FX</sub> set forth in B) above of all the FX Clearing Participants.

### Supplementary Provisions

1 These revised Rules shall come into effect on March 4, 2024.

2 Notwithstanding the provisions of the preceding Paragraph, in the case where JSCC deems it inappropriate for the revised Rules to apply, due to an occurrence of a system failure to the systems set up by JSCC or other institutions, which are necessary to conduct the settlement of Contracts for Clearing between JSCC and a Clearing Participant, or some other unavoidable reasons, the revised Rules shall come into effect on the day set by JSCC which is not earlier than March 4, 2024.

## Handling Procedures of CDS Business Rules

### (Article 17 Substitute Securities)

1 The substitute price of Substitute Securities prescribed by JSCC as set forth Paragraph 1 of the Article 7 of the Business Rules shall be the market price listed in the column of “Market Price” multiplied by the rate listed in the column of “Market Price Multiplier” (in respect of the substitute price of Substitute Securities as Customer Initial Margin, the price agreed on between a Clearing Participant on Customer Account and a Clearing Customer not in excess of such amount) in accordance with the classification of securities listed in the column of “Type of Substitute Securities” in Appendix 1.

2 The manner of deposit of Substitute Securities and any other matters in respect of Substitute Securities prescribed in Paragraph 2 of Article 7 of the Business Rules shall be as prescribed in each Item below:

#### (1) Manner of deposit and other handlings of Japanese Government Bonds

a. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) deposits Japanese Government Bonds with JSCC as Substitute Securities, the Clearing Participant shall transfer such securities to the account in the name of JSCC opened with the Bank of Japan under the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001) using the Bank of Japan financial network system (BOJ-NET); and

b. In the case where a Clearing Customer delivers or deposits Japanese Government Bonds with a Clearing Participant on Customer Account as Substitute Securities, the Clearing Customer shall conduct such delivery or deposit by transfer of such securities to the account in the name of the Clearing Participant on Customer Account opened with the Bank of Japan or the lower positioned institution (meaning the “lower positioned institution” as defined in Paragraph 9 of Article 2 of the Act on Transfer of Bonds, Shares, etc.) under the Act on Transfer of Bonds, Shares, etc.

c. A Clearing Participant may deposit or withdraw the Japanese Government Bonds set forth in Item (1).a. above through its agent, if the Clearing Participant has submitted to JSCC a document stating the matters required by JSCC and obtained the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent opened with the Bank of Japan or Participant in the JGB Book-Entry System.

#### (2) Manner and other handlings of deposit of US Treasuries

a. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) deposits US Treasuries (hereinafter referred to as “US Treasuries”) with JSCC as Substitute Securities, the Clearing Participant shall obtain JSCC’s consent in advance on each deposit in accordance with the notification of JSCC;

b. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) deposits US Treasuries with JSCC pursuant to the preceding Item, the Clearing Participant shall transfer the US Treasuries to be deposited to the account in the name of JSCC opened with a bank located in New York City in New York State in the United States of America by 2:00 p.m. (Eastern Standard Time) on the day immediately preceding the day on which such deposit is to be made, and shall notify JSCC to that effect by 4:00 p.m. on the day of the book-entry transfer. In such case, the book-entry transfer (excluding the transfer within the same bank) shall be carried out through the Federal Reserve Communications System in the United States of America;

c. In the case where a Clearing Participant (or a Clearing Participant as an agent of a Clearing Customer) requests JSCC to return US Treasuries deposited as Substitute Securities, the Clearing Participant shall notify JSCC of such intention by ~~11:00 a.m.~~ on the day on which such return is to be made; and

d. In the case where a Clearing Customer delivers or deposits US Treasuries with a Clearing Participant on Customer Account as Substitute Securities, the Clearing Customer shall transfer such securities to the account designated by the Clearing Participant on Customer Account by the time designated by the Clearing Participant on Customer Account before the deadline for deposit from the Clearing Participant on Customer Account to JSCC (2:00 p.m. of the Eastern Standard Time of the United States of America on the day immediately preceding the day of the deposit).

e. A Clearing Participant may use its agent for such deposit or withdrawal of the US Treasuries set forth in Item (2).a. through c. above if the Clearing Participant submits to JSCC a document stating the matters required by JSCC and obtains the prior approval of JSCC. In this case, such deposit and withdrawal shall be carried out through the account in the name of the agent.

### (3) Realisation

In the following cases, JSCC may realise the Substitute Securities deposited with JSCC by a Clearing Participant or a Clearing Customer by the method, at the time and at the price, etc. JSCC deems appropriate (in respect of the Substitute Securities denominated in a foreign currency, including the conversion of the proceeds from such realisation into the Japanese Yen or realisation in the Japanese Yen) or may directly exercise the right based on such Substitute Securities, and may appropriate the proceeds less the expenses required for the realisation, etc. to satisfy the obligation of such Clearing Participant to JSCC or to recover the losses pursuant to Paragraph 1 of Article 104 or Paragraph 1 of Article 110 of the Business Rules:

a. When JSCC has determined the Default, etc. of such Clearing Participant to have occurred;

b. When JSCC has determined the Failure of Settlement of such Clearing Participant to have occurred;

c. When JSCC appropriates the CDS Clearing Fund deposited with JSCC by such Clearing Participant in accordance with Paragraph 1 of Article 104 or Paragraph 1 of Article 110 of the Business Rules; or

d. When the obligations of such Clearing Participant against JSCC are accelerated or matured on the due date.

(4) *Mutatis Mutandis* Application to Substitute Securities as Customer Initial Margin

The provisions of the preceding Item shall be applied *mutatis mutandis* to Substitute Securities deposited with a Clearing Participant on Customer Account by a Clearing Customer as Customer Initial Margin.

Supplementary Provisions

1. These amendments shall come into force as of March 4, 2024.

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 Clearing Contracts, these amendments shall come into force as of the date designated by JSCC which is on or after March 4, 2024.