

Q&A for Public Quantitative Disclosure Webinar

This document is a compilation of Q&A regarding the Quantitative Disclosures summary presentation held by JSCC.

Index

Q&A regarding of the Quantitative Disclosures summary presentation as of 2023 Q3	<u>2</u>
Q&A regarding of the Quantitative Disclosures summary presentation as of 2023 Q2	<u>3</u>
Q&A regarding of the Quantitative Disclosures summary presentation as of 2023 Q1	<u>4</u>
Q&A regarding of the Quantitative Disclosures summary presentation as of 2022 Q4	<u>7</u>
Q&A regarding of the Quantitative Disclosures summary presentation as of 2022 Q3	<u>9</u>
Q&A regarding of the Quantitative Disclosures summary presentation as of 2022 Q2	<u>11</u>
Q&A regarding of the Quantitative Disclosures summary presentation as of 2022 Q1	<u>13</u>

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

2023 Q3 – Webinar Date: December 14, 2023

 Summary : https://www.jpx.co.jp/jsccl/en/company/cimhll0000000ouc-att/summary_e_2023Q3.pdf

 Webinar : https://youtu.be/SnStRexBg_g

#	Subject	Related pages	Questions	Answers
1	Topic of this Quarter “Global Fire Drill”	7	Will the Global Fire Drill be conducted on an annual basis from next year onwards?	The frequency of the next and subsequent editions of the Global Fire Drill is currently under discussion with CCP Global and other relevant parties and has not yet been finalized. JSCC has been conducting Fire Drills individually, on an annual basis, and will continue to do so in the future.
2	Stress Testing	16	Did you see any impact on the cover ratio of ETD after JSCC introduced VaR as the margin calculation methodology in November?	VaR was only implemented in November, and we hope to be able to report back at the next briefing for the Q4 2023 quantitative disclosures, which will be for end of December 2023 data. This data will be published in March 2024. Having said this, we are expecting to see an improvement in the cover ratio.
3	Stress Testing	15	Regarding the graph on top right-hand corner on slide 15, could JSCC please comment on the decrease in peak stress exposures at JGB OTC from 357 (Q4 2023) to 165 (Q3 2023)? Has there been any change to stress testing scenarios over the year?	JSCC has not changed stress testing scenarios over this year. This was due to the largest historical SLOIM values gradually falling out of the 12-month scope.

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

2023 Q2 – Webinar Date: September 25, 2023

Summary : https://www.jpx.co.jp/jsccl/en/company/cimhll0000000ouc-att/summary_e_2023Q2.pdf

Webinar : https://youtu.be/pp_ZM0ugIRc?si=D-voalNV91aexFXs

#	Subject	Related pages	Questions	Answers
1	Topic of this Quarter “Margin Simulation for Rate products based on the BOJ Policy Meeting Dec 2022”	7	This question is related to the special topic we presented this quarter. You conducted this simulation twice this year already. Do you have any plan to conduct similar simulations, either periodically or ahead of expected events going forward?	We don't have any specific plan to do this, but we may conduct similar forward-looking simulations around once per year, and/or before anticipated market events that could cause large margin increases.

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

2023 Q1 – Webinar Date: June 14, 2023

 Summary : https://www.jpx.co.jp/jsccl/en/company/cimhl0000000ouc-att/summary_e_2023Q1.pdf

 Webinar : <https://www.youtube.com/watch?v=VmbaAlca8j0>

#	Subject	Related pages	Questions	Answers
1	Topic of this Quarter “Margin Simulation Upon Stress Period Recurrence”	7	Regarding of the Margin Simulation, is this something that clearing members can run via available JSCC tool? If not, can clearing member ask JSCC to run such simulation for their portfolios?	It may depend on the environment of each clearing member, but we do not provide margin simulator with hypothetical market fluctuation such as global financial crisis reoccurrence to clearing members, and we only run the margin simulation of unit position instead of portfolios at this time.
2	Stress Testing PQD References: 4.4.3, 4.4.7	14	Could you please advise if the remaining commodities products will be subject to Cover 2 requirements?	There are currently no concrete plans to switch the Cover 1 and 5 financially weakest firms for Commodities products to Cover 2, but JSCC continues to analyze the associated risks.
3	Initial Margin Back Testing PQD 6.5.1.1, 6.5.3	19	Could you please elaborate on the IRS Margin Breaches and potential Margin Model reviews that such breaches could lead to?	As explained in this webinar, the cover ratio for IRS fell below 99.5% mainly due to breaches this March. JSCC uses data from historical periods of significant interest rate volatility as stress scenarios in addition to the data from the five-year lookback period. In response to the breaches for IRS, JSCC held a meeting with clearing members on June 13th and has proposed workaround measures, as well as full-scale measures.

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

#	Subject	Related pages	Questions	Answers
				<p>The workaround measures include a change of the blending number of stress scenarios from two to four. We circulated the notice of this proposed change on our web portal both in Japanese and in English. This change is expected to raise the total required base IM by about 3% and will go live from July 10th. On the other hand, the proposed full-scale measures will be more anti-procyclical and will require enhancements to our IM calculation system. Therefore, we are planning to go live with these in the first half of next year, following further discussions with our clearing members.</p>
4	Initial Margin Back Testing PQD 6.5.1.1, 6.5.3	19	Could you share measures again to address breaches at JGB F&O segment?	<p>In response to the breaches for JGB F&O, JSCC revised the SPAN parameter setting method for JGB futures, following discussions with clearing members. On June 6th, JSCC held a meeting with clearing members, and circulated the notice on our web portal both in Japanese and in English. We also published the same information on our website.</p> <p>https://www.jpj.co.jp/jscj/en/information/news/20230606-01.html</p> <p>We changed the start of the relevant stress scenario observation period, from 2007 to "the initial listing date of the respective futures contract". In the case of the 10-year JGB group, this stress scenario observation period now starts in 1985. As this older data includes periods of higher volatility, the PSR was raised by about</p>

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

#	Subject	Related pages	Questions	Answers
				10%. The span margin level per notional was 1.68% last week and is 1.8% this week.
5	Initial Margin Back Testing PQD 6.5.1.1, 6.5.3	19	Would these breaches and event on IRS will be also reviewed as part of the new VaR Model?	The new VaR model, which is schedule to go live from this November, only covers listed futures and options. Therefore, breaches in the IRS Clearing Service are not relevant to the new Listed Derivatives VaR model. However, please note that the IRS Clearing Service already utilizes a VaR-based margin model, which JSCC is currently reviewing for possible revisions.
6	Initial Margin Back Testing PQD 6.5.1.1, 6.5.3	19	Are there any measures planned for OTC JGB segment considering almost doubled breaches quarter on quarter.	As the OTC-JGB Clearing Service currently meets the target back-testing confidence level, JSCC is not considering any changes to the margin model at this time.

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

2022 Q4 – Webinar Date: March 15, 2023

Summary : https://www.jpx.co.jp/jscc/en/company/cimhll0000000ouc-att/summary_e_2022Q4.pdf

Webinar : <https://www.youtube.com/watch?v=KFM8LVEhyrk>

#	Subject	Related pages	Questions	Answers
1	Variation Margin Calls PQD References: 6.7.1	20	Does JSCC include stress scenarios, such as the removal of the BOJ's Yield Curve Control policy, in its margin models? For the OTC JGB clearing service, considering high VM calls following the BOJ action last December, and anticipation that Yield Curve Control might be removed/widened, would JSCC consider this scenario for margining?	JSCC does not use purely hypothetical scenarios in its margin models, that are not relevant to any historical stress event. It can be challenging to develop purely hypothetical scenarios that would be agreeable to all clearing members and clients. However, if you have any thoughts on this, we would appreciate your feedback.
2	Variation Margin Calls PQD References: 6.7.1	20	(Additional Q&A after the call) During the call, it was noted about intra-day emergency margin call and parameter changes. Could you please confirm if this related to OTC-JGB and give us more color on parameter changes?	Intra-day emergency margin call was triggered and parameter changes on March 14th OTC-JGB. This was due to significant fluctuations in the JGB futures market. The new parameters, which are normally updated on a weekly basis, have been in effect since March 15th. These new parameters were posted on JSCC's dedicated "JSCC-Target" website, which can be accessed by Clearing Participants. For example, in the Interest-bearing JGB D category (Remaining maturity 7-10 years), 1.0% has increased to 1.16%.
4	Topic of this Quarter "Simulations of potential future	28-29	This question is related to the special topic we presented this quarter. Do you have any plan to conduct similar simulations, either periodically or ahead of expected events?	We don't have any specific plan to do this, but we may conduct similar forward-looking simulations around once per year, and/or before anticipated market events that could cause large margin increases.

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

#	Subject	Related pages	Questions	Answers
	margin and parameter changes”			

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

2022 Q3 – Webinar Date: December 14, 2022

Summary : https://www.jpx.co.jp/jscc/en/company/cimhl0000000ouc-att/summary_e_2022Q3.pdf

Webinar : <https://www.youtube.com/watch?v=SADChKd4IQ8>

#	Subject	Related pages	Questions	Answers
1	Stress Testing PQD References: 4.4.8 - 4.4.9	13	We noticed that there was a breach of stress testing for cash securities, which was resolved on the following business day by the requirement for additional collateral. Could you explain this additional margin framework? Is this additional margin called from all participants, or only the top two riskiest participants?	JSCC has an additional margin methodology, where JSCC call additional margin from any clearing participant with a stress risk that is large relative to the size of the default fund. However, in practice this type of additional margin is only called from the specific clearing participant that has very large exposures.
2	Stress Testing PQD References: 4.4.8 - 4.4.9	13	(Follow-up Q&As for #1 after the call) 1. It is my understanding that JSCC calls additional margin when a clearing participant's uncollateralized stress exposure is over 50% of the Clearing Fund size, is this correct? 2. The additional margin collected under this approach is considered a part of IM and is not used to reduce the Default Fund, is this correct? 3. By when does the participant have to pay the additional margin (within 1h or the next day)? 4. When is the additional collateral returned to the participant?	Yes, your understanding is correct for Q1 and Q2. The trigger level of the additional margin of cash equities is the half of the Clearing Fund size. JSCC calculates the additional margin twice a day, and the deadlines for these calls is either 16:00 on the same day, or 14:00 on the next business day, as illustrated on the following webpage: https://www.jpx.co.jp/jscc/en/risk/margin.html The withdrawal process of "additional" margin is the same as for normal initial margin beyond the required amount. So, a clearing participant can instruct JSCC for the withdrawal of the relevant collateral, which would be returned back by JSCC to the relevant clearing participant on the next business day.
3	Initial Margin PQD	14-16	How did the collateral requirement, or collateral amount pledged, change in 2022? How much does it reflect the trading volume or higher volatility (more % required for variation margin)?	As we explained during this session, the IRS IM has been increasing since the beginning of this year. This was due to a change in the market interest rates, resulting from a gap between the financial policies of increasing interest rates in other jurisdictions, such as US

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

#	Subject	Related pages	Questions	Answers
	References: 6.1.1, 6.2.15			and UK, and the BOJ policy which is maintaining low interest rates. The weak Japanese yen has changed market participants' interest rate expectations significantly. In addition, high volatility throughout this year has also been a driver to these IM increases. As for the OTC JGB IM, the main drivers of this were similar to those for IRS, but we also saw position increases.
4	VaR Method	27-29	Which kind of Value at Risk approach will be introduced in the Listed Derivatives segment, when it changes from SPAN to VaR in November 2023?	JSCC will introduce a Filtered Historical Simulation VaR methodology, with a lookback period of 1,250 days, or 5 years. In addition, JSCC will blend in some stress scenarios to mitigate any procyclical effect. JSCC is now calibrating details of key parameters, such as the number of stress scenarios to be blended and volatility scaling factors for the filtering methodology ¹ .
5	VaR Method	27-29	(Follow-up Q&As for #4 after the call) Is there any EMIR anti-procyclicality option used in JSCC's new margin methodology?	As JSCC is a Third Country CCP under EU regulations, it is not required to introduce the EMIR APC options as they are. However, as we explained, JSCC will blend multiple stress scenarios on top of the normal historical scenarios, in order to mitigate any procyclical effects. As part of our testing for the new model, we have been reviewing a range of APC statistics, such as the peak-trough value, and the results of this review are satisfactory.

¹ For further information, please refer to the following webpage:
<https://www.jpj.co.jp/jscj/en/cash/futures/marginsystem/VaR.html>

2022 Q2 – Webinar Date: September 20, 2022

 Webinar : <https://www.youtube.com/watch?v=LYKk9jkKKiO>

#	Subject	Related pages	Questions	Answers
1	Stress Testing PQD References: 4.4.3, 4.4.7	12	Why did the SLOIM for Energy increase so much?	The main reason for this was a sudden expansion of exposure at some risk-taking firms.
2	Stress Testing PQD References: 4.4.8 - 4.4.9	13	In relation to the stress test breaches on cash equities, why did JSCC allow for massive accumulation in the positions of specific participants? Should JSCC have a mechanism to restrict such aggressive risk taking?	JSCC has a variety of controls in place to prevent excessive position taking, such as requiring additional IM from clearing participants with poor financial conditions, or with stress loss over initial margin (SLOIM) beyond a certain threshold. These breaches are reported to JSCC's management daily. If an issue with risk management were identified, then JSCC would initiate a review of the current operations. On these specific cases, breaches were temporary in nature, and thus risk management issues were not identified.
3	Holiday Trading	-	I heard about a start of Holiday Trading. Shouldn't settlement be performed even on holidays?	The Japanese settlement systems, such as those provided by the central bank, are not operated during holidays, so the settlement is not available. However, for clearing during holidays, JSCC has introduced a comparable level of risk management, such as by increasing margin prior to a holiday for those participants that will be trading during the holiday ² .
4	C-Factor	-	Is there a particular reason for the high C-Factor for your OTC JGB segment, as it has been in a range between 4.9%	There were no specific factors driving the C-factor for OTC JGB, which is calculated based on the Total Exposure from clearing participants

² For further information, please refer to the outline of risk management on holiday trading available at:

<https://www.jpjx.co.jp/jscj/en/cimhll00000001ri-att/i1h00a000000bq8f.pdf>

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

#	Subject	Related pages	Questions	Answers
			<p>and 5% over the last four quarters?</p> <p>(Follow-up Q&As after the call)</p> <p>1. What is the driving factor for C-Factor for OTC JGB over last few quarters?</p> <p>2. Could you give some insights for the higher C-Factor for OTC JGB, vis-à-vis other segments?</p>	<p>and the prefunded resources provided by the CCP and clearing participants.</p> <p>Accordingly, JSCC does not view the range over the last few quarters as being significantly high, when compared to the range over recent years.</p> <p>However, JSCC's derivative segments, such as IRS, show relatively low C-factors based on the SA-CCR methodology in 2022.</p>

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

2022 Q1 – Webinar Date: July 28, 2022

 Webinar : <https://www.youtube.com/watch?v=tReHvoCEICA>

#	Subject	Related pages	Questions from Participants of Webinar	JSCC Answers
1	Mutualized Loss Compensation Resources PQD References: 4.1.4, 4.1.8	11	Could you please confirm the maximum liability for participants in the Cash Equities segment?	For losses resulting from a clearing participant default, JSCC does not have a capped liability system for the Cash Equities segment. For non-default losses, JSCC does not have rules that allow JSCC to allocate losses to clearing participants in the Cash Equities Segment.
2	Stress Testing PQD References: 4.4.3 - 4.4.9	12-13	How are Stress Losses determined in the PQD i.e. how are client positions taken into account (including portability)? What margins are included? Is excess margin included? etc....	In the PQD, we take account of initial margin deposited, including add-ons and excess margin beyond the required initial margin, because those resources would be available to JSCC upon a clearing participant's default. However, in the stress testing, JSCC does not assume that all clients of the defaulting clearing participant would be ported to non-defaulting clearing participants, because no client positions are guaranteed to be ported (e.g., a client may not be able to find a non-defaulting clearing participant to accept their positions). Please also note when we calculate the default fund amount, JSCC considers only the required initial margin as available financial resources to JSCC, not the total deposited collateral that includes excess collateral beyond the requirements.
3	Initial Margin Back Testing	17-18	Please advise in detail any impact on price fluctuations due to the Russian invasion of Ukraine and actions to deal with this.	More breaches were reported during this quarter compared to previous terms, due to the price fluctuations caused by the Russian invasion of Ukraine, as well as interest rate fluctuations caused by speculation on US financial policy. However, the coverage was

DISCLAIMER: This document is prepared for the referential purpose only. Japan Securities Clearing Corporation (JSCC) shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of JSCC. JSCC reserves the right to, without notice, revise or alter the contents of this document, or withdraw or halt its publication. Answers from JSCC on each question in this document are based on the rulebook and/or risk management of JSCC at the time of the relevant quarter on the webinar, and so may not be relevant in the future as a result of changes of JSCC rulebook, its risk management and any regulatory or legal changes affecting JSCC.

#	Subject	Related pages	Questions from Participants of Webinar	JSCC Answers
	PQD References: 6.5.1,6.5.3, 6.5.4			sufficient to satisfy JSCC's 99% or 99.5% target confidence levels, without requiring any ad-hoc changes to the existing margin structure. For example, JSCC advised clearing participants on the possibility of increased margin, and for ETD, JSCC revised the level of the SPAN Price Scan Range four times during the market turmoil. All of these actions were taken in accordance with JSCC's rulebook under the specified thresholds.
4	Initial Margin Back Testing PQD References: 6.5.1,6.5.3, 6.5.4	17-18	Can you please explain item 6.5.2. What does the number of observations indicate?	The number of observations in 6.5.2, shows the number of accounts subject to IM back-testing, multiplied by the number of days of testing. (PQD 6.5.2 data in JSCC disclosure on website).
5	Non Default Losses	-	I would like to ask for details of JSCC's actions on Non Default Losses.	JSCC's rules do not allow JSCC to pass on Non Default Losses to clearing participants, except where a loss results from investments in trust accounts deposited by clearing participants and customers for the IRS and CDS clearing services ³ . Please note, in these services both profits <u>and</u> losses from investments are attributed to each beneficiary of the invested collateral, and the actual investments are limited to very safe arrangements, such as secured money market deposits ⁴ .

End of Document

³ For further information, please refer to the Article 88 in the CDS Clearing Business Rules and the Article 87 in the Interest Rate Swap Clearing Business Rules.

⁴ For further information, please refer to investment policy of JSCC available at:

<https://www.jpx.co.jp/jsc/en/company/rkra7f00000001ml-att/Policies-for-Management-of-Posted-Collateral.pdf>