

(Reference Translation)

Development of Rules in Connection with Rule Revisions for Clearing Services at Japan Securities Clearing Corporation

March 31, 2017
Osaka Exchange, Inc.

I . Purpose

Japan Securities Clearing Corporation (hereinafter "JSCC") is planning to revise rules for clearing operations, etc. by the end of the first quarter of 2018 to enhance quality as central counterparty (CCP) and improve usability for its Clearing Members.

Accordingly, Osaka Exchange, Inc. (OSE) will partially revise related rules (including Clearing and Settlement Regulations, Brokerage Agreement Standards, and Rules on Margin and Transfer of Unsettled Contracts Pertaining to Futures/Options Contract) in connection with the JSCC revisions, such as changing the reporting method for positions and the like to Non-Clearing Members.

II . Outline

Item	Description	Remarks
1. Changes in method of reporting positions, etc.		
(1) Close-out quantity report	- When a Non-Clearing Member has long and short positions for a single issue at the same time, the Non-Clearing Member shall report to the Designated Clearing Member the daily quantity of positions to be settled for each issue and fix positions at the close of a trading day.	- Notification of resale/repurchase quantity will be abolished.
(2) Position report	- A Non-Clearing Member shall report to the Designated Clearing Member the daily breakdown information of positions for each issue by each customer (or each applicant who has entrusted futures/options trading to a Broker when the customer is a Broker) who concludes the Agreement for Setting up Futures/Options Trading Account.	- Similar to the treatment under the current resale/repurchase notification scheme, a Non-Clearing Member will be allowed to submit its Position Report to JSCC on behalf of an Agency Clearing Member. - A Non-Clearing Member may submit the Position

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<p>2. Changes pertaining to Position Transfer</p>	<ul style="list-style-type: none"> - Position Transfer notified by a Non-Clearing Member shall be deemed to become effective at the time of acceptance by the Transferee Trading Participant (or its Designated Clearing Member if the Transferee Trading Participant is a Non-Clearing Member). 	<p>Report at a more granular level as described on the left.</p>
<p>3. Changes due to revision of Margin Framework</p>	<ul style="list-style-type: none"> - When risk-based add-on charge for customer's margin requirement is made, a Trading Participant (or its Designated Clearing Member if the Trading Participant is a Non-Clearing Members) may deduct the add-on charge from the amount for the customer's margin requirement on condition of depositing its own cash or substitute securities equivalent to the add-on charge as its proprietary clearing margin. 	<ul style="list-style-type: none"> - Under the current JSCC rules, the add-on charge shown on the left has been made to margin for the Clearing Member's House Account. JSCC will revise the rules to make the charge on a per customer basis. OSE rules will be changed accordingly. - A Trading Participant (or its Designated Clearing Member if a Trading Participant is a Non-Clearing Member) needs to notify JSCC in advance that it will handle the process as shown on the left.
<p>4. Changes due to revision of eligible collateral</p>	<ul style="list-style-type: none"> - When submitting or depositing United States Dollars in cash as margin, customers shall obtain agreement from Trading Participants in advance. - The exchange rate used for converting the market value of the foreign 	<ul style="list-style-type: none"> - Haircut applicable to foreign currency cash in lieu of Japanese yen cash shall be specified by JSCC.

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(1) Response due to introduction of foreign currency cash in lieu of Japanese yen cash	currency cash into Japanese yen shall be the telegraphic transfer spot buying rate at the Tokyo foreign exchange market expressed as the value of Japanese yen per USD 1 on the preceding day. - When submitting or depositing U.K. government bonds, French government bonds, or German government bonds as securities in lieu of cash, customers shall obtain agreement from Trading Participants in advance.	
(2) Measures due to expansion of scope of eligible foreign bonds	- The market value used for evaluation of U.K. government bonds, French government bonds, or German government bonds shall be the last quote on the previous day at the market in each country. The exchange rate used for converting the market value of the eligible foreign bonds into Japanese yen shall be the telegraphic transfer spot buying rate at the Tokyo foreign exchange market on the previous day that is expressed as the value of Japanese yen per one unit of the currency of denomination of the bonds to be evaluated.	- Only U.S. Government bonds, out of foreign bonds, can be submitted or deposited under the current rules.
5. Changes due to the give-up system		
(1) Give-up notification cut-off time	- Give-up notification shall be given by 17:30. However, the time shall be 16:45 on the days specified by OSE.	- "The days specified by OSE" refer to the Special Quotation (SQ) day for issues of index futures contracts that have reached their SQ day, and the last exercise day

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