

## Basic Policy for Handling System Failures, Etc.

This policy lays out the basic policy concerning the execution of business by the Japan Government Bond Clearing Corporation (hereinafter “JGBCC”) in the event of an emergency situation affecting computer systems for clearing business of JGBCC(hereinafter “JGBCC system”), settlement-related systems of related organizations, or social infrastructure such as electricity and communication networks, as well as in the event of a natural disaster such as an earthquake or an act of terrorism. This policy is based on the standpoint of continuing with clearing to the extent possible even in the event of a system failure, etc. from the perspective of preventing Clearing Participants from defaulting and systemic risks from occurring, and minimizing any impact of temporary measures, should they be introduced, in order to prevent disruption across the entire settlement system.

In the event of a system failure, etc., the method of communication between JGBCC, Clearing Participants, and related organizations (Bank of Japan, Japan Securities Depository Center (hereinafter “JASDEC”), Financial Services Agency, etc.) shall be a usable method from among email, FAX, Internet (JGBCC homepage), and the JGBCC site on TARGET (Tokyo stock exchange Advanced Remote information system for General purpose Transaction).

### 1. Measures in the event of failures in the systems of JGBCC and other related organizations

Assumed case	Measures	Remarks	Supporting rules and regulations
i. Failure in the JGBCC system	<ul style="list-style-type: none"> <li>• Even when it is unable to send settlement instructions to the Bank of Japan or provide necessary settlement information to Clearing Participants through the JGBCC system, JGBCC shall continue with the settlement as usual to the extent possible using an alternative method.</li> <li>• When settlement instructions are given by JGBCC via an alternative method, the settlement cutoff time shall be changed when JGBCC deems it unavoidable in view of the circumstances of the system failure, etc.</li> <li>• When JGBCC deems it impossible to give settlement instructions or provide necessary settlement information to Clearing Participants via an alternative method or by changing the settlement cutoff time, etc., the settlement day shall be deferred.</li> <li>• When JGBCC is unable to receive requests for assumption of obligations</li> </ul>	<ul style="list-style-type: none"> <li>• It is assumed settlement instructions shall be given using the terminals of the Bank of Japan Financial Network System.</li> </ul>	Articles 4, 39, 87, 88, and 89 of the Business Rules

Assumed case	Measures	Remarks	Supporting rules and regulations
	<p>through the JGBCC system, the application deadline for assumption of obligations shall be changed when JGBCC deems it unavoidable. If it takes several days to restore the system, assumption of obligations may be suspended in view of the risk situation arising from the accumulation of unsettled contracts.</p> <ul style="list-style-type: none"> <li>• Other necessary measures shall be taken in view of the circumstances of the system failure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• It may not be possible to deposit or refund clearing funds.</li> </ul>	
ii. Failure in the JASDEC Pre-Settlement Matching System	<ul style="list-style-type: none"> <li>• When Clearing Participants are unable to submit requests for assumption of obligations through the Pre-Settlement Matching System, the request cutoff time for assumption of obligations shall be changed when JGBCC deems it unavoidable. If it takes several days to restore the system, assumption of obligations may be suspended in view of the risk situation arising from the accumulation of unsettled contracts.</li> <li>• Other necessary measures shall be taken in view of the circumstances of the system failure, etc.</li> </ul>		Articles 4 and 39 of the Business Rules
iii. Failure in the Bank of Japan Financial Network System	<p>[Japanese Government Bonds DVP Settlement ]</p> <ul style="list-style-type: none"> <li>• Settlement shall be continued as usual to the extent possible.</li> <li>• When JGBCC deems it unavoidable in view of the circumstances of the system failure, etc., the settlement cutoff time shall be changed.</li> <li>• When JGBCC deems it impossible to settle the contracts by changing the settlement cutoff time, etc., the settlement day shall be deferred.</li> <li>• Other necessary measures shall be taken in view of the circumstances of the system failure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative methods such as requests in writing cannot be used for DVP settlement of Japanese Government Bonds.</li> </ul>	Articles 4, 39, 87, 88, and 89 of the Business Rules

Assumed case	Measures	Remarks	Supporting rules and regulations
	<p>[Funds Only Settlement (FOS)]</p> <ul style="list-style-type: none"> <li>• Funds Only Settlements shall be continued as usual to the extent possible using an alternative method specified by the Bank of Japan.</li> <li>• When Funds Only Settlement is continued by using an alternative method, etc., the settlement cutoff time shall be changed when JGBCC deems it unavoidable in view of the circumstances of the system failure, etc.</li> <li>• When JGBCC deems it impossible to settle the contracts by using an alternative method or by changing the settlement cutoff time, etc., the settlement day shall be deferred.</li> </ul>		
	<p>[Other]</p> <ul style="list-style-type: none"> <li>• Assumption of obligation shall be continued, and change of the request cutoff time for assumption of obligation and suspension of assumption of obligation shall not be made in principle. However, if it takes several days to restore the system, assumption of obligation may be suspended in view of the risk situation arising from the accumulation of unsettled contracts.</li> <li>• Other necessary measures shall be taken in view of the circumstances of the system failure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• It may not be possible to deposit or refund clearing funds.</li> </ul>	

2. Measures in the event of emergency situations such as widespread power outages, acts of terrorism, and earthquakes

Assumed case	Measures	Remarks	Supporting rules and regulations

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iv. Occurrence of an emergency situation in social infrastructure such as power supply and communication networks	<ul style="list-style-type: none"> <li>• Settlement shall be continued as usual to the extent possible.</li> <li>• When a failure occurs in the systems of JGBCC, JASDEC, the Bank of Japan, etc., the measures in 1. i to iii above shall be taken in accordance with the circumstances of the failure.</li> </ul>		Articles 4, 39, 88, and 89 of the Business Rules
v. Occurrence of an emergency situation such as an act of terrorism	<ul style="list-style-type: none"> <li>• The same measures as in iv. shall be taken.</li> </ul>		Articles 4, 39, 88, and 89 of the Business Rules
vi. Occurrence of a natural disaster such as an earthquake	<ul style="list-style-type: none"> <li>• The same measures as in iv. shall be taken.</li> </ul>		Articles 4, 39, 88, and 89 of the Business Rules

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