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DTCC DATA REPOSITORY (JAPAN) K.K.

Disclosure under the Principles for Financial Market Infrastructures

Responding Institution: DTCC Data Repository (Japan) K.K. (“DDRJ”)
Jurisdiction in which the FMI operates: Japan
Authorities regulating, supervising, or overseeing the FMI: Japan Financial Services Agency (Regulation and Supervision), Bank of Japan (Oversight)
Date of Disclosure: July 31, 2018

The information provided in this disclosure is accurate as of December 31, 2017;
Information and data are provided as of the dates specified.
This disclosure can also be found at www.dtcc.com.
For further information, please contact CPMI-IOSCO@dtcc.com

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1. EXECUTIVE SUMMARY

The Committee on Payment and Market Infrastructure and the Technical Committee of the International Organization of Securities Commissions (collectively, “CPMI-IOSCO”) state that financial market infrastructures (“FMIs”), which include payment systems, central securities depositories, securities settlement systems, central counterparties, and trade repositories, play critical and important roles in strengthening the financial markets and facilitating the stabilization of the financial system. FMIs facilitate clearing, settling, reporting and recording of financial transactions, through its own role, contributing to the goal of financial stability. As one of the members of FMIs, DTCC Data Repository (Japan) K.K. (“DDRJ”) as a Trade Repository records and reports derivatives transactions pursuant to the applicable laws in the jurisdictions in which it is licensed, registered or designated. CPSS-IOSCO has recognized that, when properly managed, FMIs bring great benefits to promoting market safety.

In April 2012, CPMI-IOSCO issued a report on the Principles for financial market infrastructures (the “FMI Principles”), which harmonized, and in some cases strengthened, existing international standards applicable to FMIs. The report contains 24 FMI Principles covering the major types of risks faced by FMIs. One key objective of the FMI Principles is to encourage clear and comprehensive disclosure by FMIs through a public “Disclosure Framework” that explains how their businesses and operations reflect each of the applicable FMI Principles.

DDRJ was established under the Companies Act of Japan, as a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”) which is a U.S. corporation, and is subject to the supervision of the Japanese Financial Services Agency (“JFSA”) in accordance with the Financial Instruments and Exchange Act (“FIEA”). DDRJ conducts the business of receiving trade information relating to over-the-counter (“OTC”) derivatives transactions submitted from its users, who are Financial Instruments Business Operators, etc., storing and reporting such transaction information to the JFSA, as a Trade Repository designated by the Prime Minister of Japan. This document is to disclose DDRJ’s compliance status therewith in accordance with the “Principles for financial market infrastructures: Disclosure framework and Assessment methodology,” and unless otherwise specified, this disclosure is current as of December 2017.

DDRJ understands the necessity of a robust and comprehensive system for risk management to fulfill its responsibility as a Trade Repository to improve transparency in the OTC derivatives markets, mitigate systemic risk and protect against market abuse. To manage the operational, and other risks to which it is exposed, DDRJ has established a robust risk governance structure that is incorporated into its organization, including the Board of Directors.

2. SUMMARY OF MAJOR CHANGES SINCE THE PREVIOUS UPDATE

DDRJ published its second disclosure on its compliance status therewith in accordance with the “Principles for Financial Market Infrastructures: Disclosure framework and Assessment methodology, on July 28, 2017. No major change was published in this disclosure; however, this document contains some additions and revisions to the previous document made for further clarification.

3. GENERAL BACKGROUND OF DDRJ

Overview of DDRJ:

DDRJ is one of the trade repositories that make up DTCC’s Global Trade Repository (“GTR”) services. The DTCC GTR service operates licensed, registered or designated trade repositories in nine jurisdiction globally and continues to grow. DDRJ is subject to oversight by the JFSA. JFSA have common objectives: to supervise market activity, improve risk management, and enhance transparency in the derivatives markets. DTCC has been at the forefront of the development of trade repositories, building global capabilities across the spectrum of asset classes. DDRJ was established, on March 8, 2013, as the first Trade Repository in Japan, designated by the Prime Minister of Japan.

DDRJ provides the service of recording and reporting transaction information submitted from its users who have the regulatory obligation to the JFSA with respect to OTC derivatives transactions that are defined and required by FIEA and its related Cabinet Office Ordinance. The OTC derivatives transactions which are required to be reported in Japan are the Rates, Credit, FX and Equities asset classes.

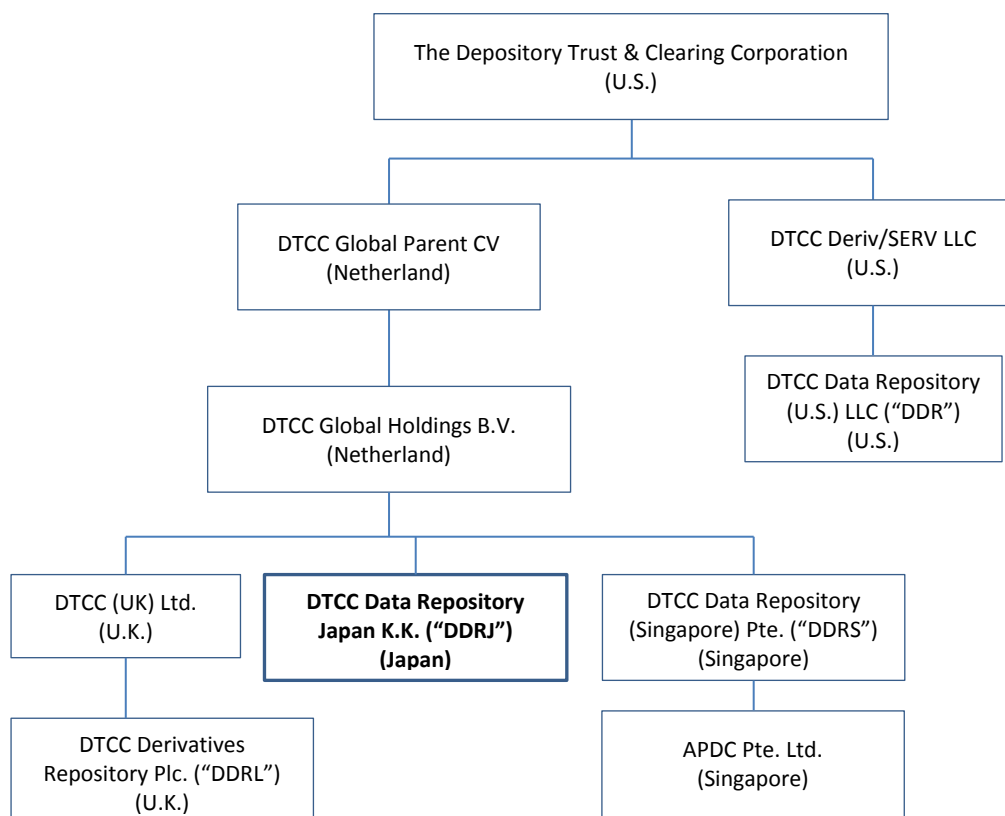
General organization of DDRJ:

DDRJ was established under the Companies Act of Japan, as a wholly-owned subsidiary of DTCC. DTCC is a non-public holding company that owns a number of FMIs, including three systemically important financial market utilities (or “SIFMUs”) designated under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”). DTCC owns The Depository Trust Company (“DTC”), the world’s largest central securities depository and a registered clearing agency for the settlement of securities transactions for eligible securities and other financial assets; National Securities Clearing Corporation (“NSCC”), a registered clearing agency which provides central counterparty services with respect to securities transactions in equities, corporate bonds, municipal securities and unit investment trusts in the U.S.; and Fixed Income Clearing Corporation (“FICC”), a registered clearing agency and CCP that operates two divisions, Government Securities Division which provides clearing, netting, settlement and CCP services to the U.S. government securities market, and Mortgage-Backed Securities Division which provides such services to the U. S. mortgage-backed securities market. DTCC, through its subsidiaries and joint ventures, provides critical information and transactional services, to financial market participants in the United States and globally.

DTCC is owned by the financial institutions that are participants of its registered clearing agency. DTCC’s governance arrangements—and those of its trade repository subsidiaries—are designed to promote the safety and efficiency of the market, support the stability of the broader financial system and promote the objectives of its participants.

DTCC’s subsidiaries that are relevant to the OTC derivatives business of DTCC are shown in the following chart:¹

¹ Note: This is not a complete chart of the entire DTCC corporate structure

DTCC Group

As an FMI in Japan, DDRJ has established a robust governance structure and a risk management framework, stemming from the DTCC’s corporate mission. At the highest level, DDRJ’s Board of Directors (the “Board”), currently composed of 2 full-time directors and 3 external directors, oversees all of DDRJ’s business activities. The Board is also responsible for supervising the internal control framework, including the risk management framework; therefore, the Board is informed of, or approves the framework of internal controls over (a) the comprehensive risk profile and its risk control status, (b) the internal audit plans and related issues and (c) compliance update, as the part of its regular agenda.

DDRJ is the company with the statutory auditor that carries the authority and responsibility to supervise the execution of duties by directors and to report results of audits to shareholders. See Principle 2 (Governance) for further details.

Legal and regulatory framework:

DDRJ is the first and only Trade Repository designated by the Prime Minister of Japan and conducts its business in compliance with FIEA and its related Cabinet Office Ordinance.

DDRJ also conforms to the JFSA’s “Comprehensive Guidelines for Supervision of Financial Market Infrastructures.” In addition, as a joint-stock company, established in Japan, DDRJ is also governed by the Civil Codes, the Commercial Codes and the Companies Act of Japan.

In accordance with FIEA and its related Cabinet Office Ordinance, the Prime Minister of Japan approved the DDRJ's Operating Rules and the outsourcing of certain trade repository operations to its affiliate, as described below.

While DDRJ is subject to the direct regulation and supervision by the JFSA, DDRJ also receives oversight from Bank of Japan in accordance with the objectives prescribed in the Bank of Japan Act.

System and operations:

DDRJ outsources certain operations to its affiliate, DTCC Deriv/SERV LLC (“Deriv/SERV”). Specifically, DDRJ outsources its system operations including the necessary development and maintenance work of accepting trade information submitted from its users and preparing the regulatory reports to the JFSA. DDRJ established supervision of outsourced functions, for example, by holding regular status meetings with the relevant departments and functions of the service provider, pursuant to the outsourcing agreement.

4. Principle-by-Principle Summary Narrative Disclosure

Principle 1: Legal Basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Key Consideration 1:

The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.

DDRJ's activities are governed by Japanese laws and regulations, including the FIEA, Civil Codes of Japan, Companies Act of Japan, and the Cabinet Office Ordinance on Regulation of Over-the-Counter Derivatives Transactions.

Furthermore, DDRJ is subject to the supervision of the JFSA pursuant to the "Comprehensive Guidelines for Supervision of Financial Market Infrastructures," which covers all aspects of an FMI's business and operations.

The following aspects also demonstrate that DDRJ's activities are ensured to have a high degree of legal basis:

- (1) DDRJ was designated as local Trade Repository by the Prime Minister of Japan (i.e. via the JFSA) based upon Article 156-67 of FIEA and its scope of activities was also specifically designated by Article 156-71 of FIEA, and DDRJ operates under the legal framework, that is, FIEA and applicable Guidelines and notices issued by the JFSA from time to time,
- (2) Section 1 of Article 156-65 of FIEA and its Cabinet Office Ordinance designate the specific details of recordkeeping requirements for TR,
- (3) Section 2 of Article 156-65 of FIEA and its Cabinet Office Ordinance designate the specific details of reporting requirements of TR,
- (4) DDRJ is also subject to the User Agreement (including the accompanying the DDRJ's Operating Procedures referenced therein) to be entered into between DDRJ and its users, as well as, the DDRJ's Operating Rules (which set out the summary of framework of operational process and control) which is required document to be approved by the JFSA for the designation of DDRJ as local TR, having been subject to a high level of regulatory scrutiny and designation process by the JFSA for their formulation and revision, governing the activities and conduct of DDRJ and its users.

Key Consideration 2:

An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.

The DDRJ's Operating Rules, User Agreement (and the accompanying the DDRJ's Operating Procedures) and various other documents to be used for onboarding users were developed in consultation with the external law firms and the JFSA as part of the application process for the regulatory designation of Trade Repository in Japan. These documents have been therefore subject to both extensive internal review and external reviews, including the examination by the JFSA. Through this process, DDRJ confirms that these rules and procedures are consistent with the relevant laws and regulations.

Furthermore, these Rules, Procedures, Agreement and various forms are updated on timely basis to reflect the relevant legal and regulatory changes and modifications to the services as well as to respond to the issues raised by industry-wide working groups, through the continuous internal and external legal reviews and consultation with the JFSA.

Specifically, the DDRJ’s Operating Rules, which describes the operating principles and the important control framework, is required to be approved by the JFSA pursuant to Article 156-74 of FIEA in advance of business operation and any changes to the DDRJ’s Operating Rules to be made.

Key Consideration 3:

An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants’ customers, in a clear and understandable way.

DDRJ has engaged in a significant industry outreach effort to explain to the existing and potential users regarding legal basis of DDRJ’s activities, the DDRJ’s Operating Rules and Procedures and User Agreement, in the form of industry working groups and individual client outreach.

Also, the DDRJ’s Operating Rules, Operating Procedures and User Agreement are posted at DTCC’s website, and any changes to the DDRJ’s Operating Procedures, etc., are notified to all users and are also published as an Important Notice at DTCC’s website. Changes are subject to the Board approval.

Key Consideration 4:

An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.

As DDRJ conducts its business in Japan, the User Agreement and the DDRJ’s Operating Procedures are governed by the Japanese laws and require DDRJ and its users to agree to be subject to the exclusive jurisdiction of the Tokyo District Court (except for a limited number of existing users who already opted for the law of the State of New York in the past), and both the Japanese laws and the laws of the State of New York provide the well-respected legal jurisdictions that offer a high degree of legal foreseeability and certainty. Furthermore, where necessary, DDRJ seeks legal opinions and analysis on selected issues so that it is in compliance with applicable law.

The User Agreement and the DDRJ’s Operating Procedures also require the users to represent that (a) each user has the power and authority to perform its obligations, (b) its agreement with DDRJ is valid, binding and enforceable, and (c) access to the system which enables DDRJ to provide the service to users does not violate any applicable laws.

Since the inception of DDRJ’s business, there have been no cases where the courts stated that any of DDRJ’s activities, contracts and arrangements under its Rules and Procedures was unenforceable.

Key Consideration 5:

An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.

DDRJ continuously makes its best efforts in identifying and analyzing the potential conflict-of- law issues based upon the latest information available from the users, external law firms, and regulatory bodies, including the JFSA.

DDRJ considers that the risk which could arise from the potential conflict-of- law issues among the multiple jurisdictions is kept at a minimum level by the following factors:

- (1) The territorial scope of DDRJ’s activities is limited to Japan,
- (2) The governing law of DDRJ’s Operating Rules applicable to DDRJ and all users is designated to be Japanese laws,
- (3) The trade information to be managed is related to the Financial Instruments Business Operators, etc. located in Japan,
- (4) There is no possibility for DDRJ to be involved in the conflict-of -law issues among the multiple jurisdictions associated with the clearing, settlement and collateral liquidation of the trade itself, due to the nature of DDRJ’s trade repository business.

Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Key Consideration 1:

An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.

DDRJ is a company expressly set up to serve as a Trade Repository for OTC Derivative Data to facilitate oversight of the OTC Derivatives Market. This objective of DDRJ is clearly identified in the DDRJ's Operating Rules and DDRJ User agreement. DDRJ participates in an annual corporate goals process. The corporate goals are strategic in nature, focusing on key deliverables at DTCC group level. The corporate goals are based on consultation with participants, board members, industry associations, regulators and others. The Deriv/SERV Board also undertakes annual strategy meetings which establish priorities for Deriv/SERV and affiliated trade repositories including DDRJ. On an ongoing basis, DDRJ's corporate goals will be developed through ongoing interaction with regulators, industry participants, and industry associations (e.g., ISDA), to identify initiatives required to meet all regulatory obligations. Potential initiatives will be vetted to determine if appropriate; the scope of the initiative, including regulatory, operational, financial, technical and compliance considerations; the potential benefit for industry participants and/or regulatory authorities; potential risks of the initiative; and potential prioritization of the initiative against other efforts in progress or planned. This vetting process will be completed by DDRJ management, in consultation with the DDRJ Board. The DDRJ Board has the ultimate authority to support or deny an initiative. Oversight of DDRJ's performance is facilitated primarily by its Board of Directors. Additionally, DDRJ is subject to regulatory oversight and is subject to internal and/or external audits. The internal audit function reports directly to the DTCC Audit Committee in alignment with DDRJ's Board charter.

DDRJ has adopted policies and protocols for safety and efficiency, including information security, employee conduct, and regulatory compliance and these are subject to periodic review. DDRJ management has regular meetings with the service provider, Deriv/SERV. Deriv/SERV provides services to DDRJ which DDRJ monitors via its status updates/review process. The regular status updates/review process addresses key risk and performance indicators, summary of which are reported to the DDRJ Board in the form of Risk Profile on a quarterly basis. DDRJ management has demonstrated effective oversight of the outsourced services via its regular status updates/review process with service providers. DDRJ's Board members elected from DTCC's senior management team also carry the reporting obligation to the Board of DTCC which is the FMI established and owned by the market participants.

DDRJ's registration as a Trade Repository is expressly intended to support financial stability by enhancing transparency in the OTC Derivatives markets. DDRJ's priorities and work plan are approved by its Board of Directors with this objective in mind. Additionally, DDRJ works closely with its regulators in the identification of public interest considerations, particularly as to the types of data the regulators need from trade repositories; resultant requirements are aligned with DDRJ's objectives.

Key Consideration 2:

An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.

DDRJ is established as a joint-stock company under the Companies Act of Japan and is one of the subsidiaries of DTCC, an ultimate parent company of DDRJ.

DDRJ is subject to the supervision of the JFSA in accordance with FIEA, and DDRJ’s Articles of Incorporation, which set out fundamental governance arrangements, are ensured to have the consistency with the detailed governance requirements for TR provided in the Companies Act of Japan, FIEA, Cabinet Office Ordinance on Regulation of Over-the-Counter Derivatives Transactions, the JFSA’s Comprehensive Guidelines for Supervision of Financial Market Infrastructures and other laws and regulations.

DDRJ’s management structure is set out in the documentation provided to its regulators pursuant to its application to act as a designated Trade Repository in Japan. The DDRJ’s Operating Rules, User Agreement and Operating Procedures are published at DTCC’s website. Disclosure of these documents on a public website makes information about DDRJ available to relevant authorities, participants and the public.

Also, DDRJ is the company with the statutory auditor with its authority and responsibility under the Companies Act of Japan to supervise the execution of duties by directors and to report results of audits to the shareholders.

Key Consideration 3:

The roles and responsibilities of an FMI’s board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its function, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.

The DDRJ Board has ultimate responsibility for DDRJ’s business strategy and operations, including its compliance with applicable laws and regulations. The roles and responsibilities of the Board are well defined in the documentations in accordance with the relevant rules and regulations.

The procedures for the functioning of the Board are set out in DDRJ’s Articles of Incorporation and other related documents and the Companies Act of Japan. These documents are available to the shareholders and DDRJ’s regulators, as well as DDRJ’s Board members. DDRJ’s constitutional documents are not subject to any fixed periodic review, but will be reviewed as and when the need arises.

The procedures for management of Conflict of Interest are set out in the various policy documents in accordance with the Companies Act of Japan, in particular the DDRJ Conflict of Interest Resolution Policy and the DDRJ Code of Ethics. The DDRJ Conflict of Interest Resolution Policy and the DDRJ Code of Ethics are available to all DDRJ employees and are not subject to any fixed periodic review, but are reviewed as and when the need arises.

The DDRJ Board Charter requires that the DDRJ undertakes on an annual basis a self-assessment of the Board member’s individual performance and provides results of such assessment to the Board for review. The DDRJ Board members individually undertake an annual assessment of the Board that is presented to the Board Chairman. The Chairman reviews and presents the results to the Board.

Key Consideration 4:

The board should contain suitable members with the appropriate skills and incentives to fulfill its multiple roles. This typically requires the inclusion of non-executive board member(s).

FIEA requires that Trade Repository’s personnel be composed of individuals that “have sufficient knowledge and experience for conducting the trade repository services appropriately and certainly, and have sufficient social credibility.” Accordingly, the nominations to the DDRJ’s Board of Directors were made under such requirements and subsequently reported to the JFSA. The DDRJ Board reviews and assesses whether each directorial candidate or existing director, respectively, is or remains a fit and proper person for the office and is or remains qualified for the office, taking into account his track record, age, experience, capabilities, skills and such other relevant factors as may be determined.

DDRJ's Board of Directors is currently composed of five directors, namely 1 Chairman & Representative Director, 1 President & Representative Director, and 3 Directors elected from the senior management of DTCC in accordance with the relevant laws and guidelines in addition to internal policies and procedures; therefore it does not include external independent members.

Key Consideration 5:

The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.

DDRJ's management team assumes the management responsibility for the overall operation of the DDRJ's business. The team is assisted in these tasks by local resources and by shared group resources pursuant to the Service Level Agreement between DDRJ and Deriv/SERV.

DDRJ's management team's responsibility is also specifically described in the relevant internal governance arrangements and management policies and DDRJ's management also takes part in the DTCC enterprise wide goal setting and evaluation process.

DDRJ follows the DTCC's Human Resources Department policies on the selection of its senior management, its talent development program and succession planning program. With regard to hiring and selection of the senior level positions of DDRJ's management, senior management members of DTCC and selected DDRJ's Board members shall be involved in such selection process.

Also, DDRJ has confirmed that its senior management meets the qualifications required by the Companies Act of Japan and FIEA. DDRJ's senior management has the diverse management and control experiences and profound knowledge across the banking business, securities broker/dealers, settlement and clearing of the transactions and data repository as well as risk management and information technology.

DDRJ's Board of Directors has the authority to seek a general shareholders meeting resolution to initiate the dismissal of any director failing to fulfill their duties or otherwise bringing DDRJ into disrepute, pursuant to procedures specified in the Companies Act of Japan.

Key Consideration 6:

The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.

DDRJ has adopted the DTCC Corporate Risk Framework, which has been reviewed and approved by the DTCC Board, and remains subject to Board oversight. The framework is documented through a Corporate Risk Framework document and includes Risk Tolerance Statements covering Strategic Risk (which includes General Business Risk and New Initiatives Risk) and Operational Risk (which includes Financial Risk, Legal and Regulatory Compliance Risk, Processing and Operations Risk, Information Technology Risk, Cyber and Information Protection Risk, Information Security, Technology and Privacy Risk, Business Continuity Risk and Human Capital/People Risk). The Framework and Risk Tolerance Statements are reviewed, updated as appropriate, and approved by DTCC's Management Risk Committee, and DTCC Board Risk Committee and the DTCC Board, annually. The Operational Risk Management group, Financial and Operational Risk Management ("FORM") and the Systemic Risk Office all have risk management policies and procedures addressing their specific areas of responsibility, which are also reviewed and updated (as appropriate) annually and shared with the DTCC Board. The Risk Framework is more fully described under Principle 3 (Framework for the comprehensive management of risks). Operational Risk Management Department ("ORMD") is required to implement the operational risk management program and related elements.

ORMD's framework is based on Basel operational risk standards. These standards are incorporated into the methodology and tools used by ORMD to identify, assess, manage and report on operational risks.

ORMD's Operational Risk Framework is comprised of the following elements:

- o Risk Tolerance
- o Operational Risk Incident Data Collection
- o Risk Assessment – Operational Risk Profile
- o Scenario Analysis/Lessons Learned
- o Management and Board Reporting
- o Risk Acceptances
- o Vendor Risk Management
- o Intercompany Agreements
- o New Initiatives

Internal Incident Data Collection

- o External Loss Data Collection
- o Risk Assessment – Operational Risk Profile
- o Risk Assessment – Scenario Analysis
- o Metrics and Key Risk Indicators
- o Issue Tracking
- o Reporting
- o Vendor Risk Management

ORMD employs a standard set of categories to classify operational risks, including:

- o Financial Risk
- o Legal & Regulatory Compliance Risk
- o Processing & Operations Risk
- o Information Technology Risk
- o Business Continuity Risk
- o Cyber and Information Protection Risk
- o Human Capital/People Risk

This program includes identification, assessment, and management, monitoring and reporting of the risks encountered in conducting DDRJ's day-to-day business.

DDRJ follows the DTCC's policies to address Operational Risk Management. A risk profile, which includes a risk summary, key risk drivers, risk statements, and risk trends is operational since April 2014. A formal Risk Tolerance Statement, which identifies risk categories and the associated tolerances, was adopted at the DTCC Deriv/SERV level and shared by the DDRJ Board. All local staff has been communicated to adhere to the Statement.

DDRJ's Board ensures to set the above DDRJ Risk Profile as the standing agenda for the meeting.

This arrangement comes from the understanding that it is certainly DDRJ's management that has the responsibility for identifying, managing and mitigating the risks and it is the responsibility of the DDRJ's Board to supervise the effectiveness of such risk management activities. DDRJ's Board has the authority to investigate and examine the status of risk management, if it deems necessary. DDRJ's Board is responsible for reviewing and re-evaluating DDRJ's risk profile and the effectiveness of risk management framework and control measures.

The DDRJ's Business Risk Manager (BRM) is responsible for overseeing risk-related matters and has the functional responsibility to manage DDRJ's risk management functions. A BRM is in regular contact with DTCC's Operation Risk management and IT Risk management functions. DDRJ adheres

to the policies developed at the DTCC corporate level. The BRM is specifically responsible for the following:

- Identify, assess and monitor DDRJ’s risks;
- Develop internal control system that is effective in design and operation;
- And report to the affiliate/parent companies any material risks and issues that might affect DDRJ and/or other entities under DTCC.

In addition, to support it in its oversight role, DDRJ leverages the services of DTCC’s Internal Audit Department.

The role of DTCC’s Internal Audit Department is to provide independent, objective assurance and advisory services to assist DTCC (and subsidiary entities including the DDRJ) in maintaining effective risk management and control practices. IAD’s assurance services include evaluating operations and internal controls to validate that DTCC as a whole and its various subsidiaries provide services in a safe and sound manner, consistent with applicable regulatory requirements and guidance, that the organizations’ and their customers’/clients’ assets are safeguarded, and that policies, standards, and procedures are being followed

DDRJ also has appointed the Statutory Auditor that has the responsibility to oversee the performance of duties by the DDRJ’s Directors from the independent standpoint.

Key Consideration 7:

The board should ensure that the FMI’s design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.

DDRJ actively engages in the industry discussions and conducts regular discussions with its regulators to ensure meeting the industry needs, especially relating to regulatory requirements.

DDRJ’s Board escalates, as required, the material matters impacting on DTCC to the senior management and relevant functions of DTCC.

Any important matters which could impact DDRJ’s users are published through DTCC’s website in the form of an Important Notice, and the matters which DDRJ’s Board deems necessary are also publicly disclosed and reported to the relevant regulators depending upon the materiality.

Principle 3: Framework for the Comprehensive Management of Risks

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

Key Consideration 1:

An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.

DDRJ follows the DTCC’s Corporate Risk Framework that provides an overarching comprehensive structure, for the management of risk that is common across DTCC’s subsidiaries, including DDRJ. The risk framework for DDRJ provides a conceptual structure designed to guide decisions related to risk management. This framework identifies two major risk categories that will apply for DDRJ:

- Operational Risk which includes the following sub-components;
 - ✓ Financial Risk
 - ✓ Legal & Regulatory Compliance Risk

- ✓ Processing & Operations Risk
 - ✓ Information Technology Risk
 - ✓ Business Continuity Risk
 - ✓ Human Capital / People Risk
- Strategic Risk which includes the following sub-components;
 - ✓ General Business Risk
 - ✓ New Initiatives Risk

DDRJ management is responsible for identifying, assessing, measuring, monitoring, mitigating and reporting the risks that may arise in the management of the Trade Repository.

While the responsibility for the pro-active management of risks lies with Management (individually and collectively), the responsibility for oversight of risk lies not with an individual, but rather with a management review. The DDRJ Board has responsibility for reviewing the overall risk tolerance and to management the responsibility for identifying, assessing, measuring, monitoring, mitigating and reporting risks through a process of developing individual risk tolerance statements for identified risks. Risk tolerance statements provide the overall risk reduction or mitigation objectives for each of the identified risk categories. In addition to these objectives, these statements also set out the risk controls and other measures used to manage the risk, and the escalation process. At the end of the process, residual risks may be identified for either further management or “acceptance” (which follows an escalation and approval process).

Risk Tolerance Statements: For each key risk (or sub-type, as the case may be), management has developed a specific Risk Tolerance Statement that (i) defines the risk, (ii) establishes the amount of risk (including the quantity and type of risk) that management is willing to accept in pursuit of its business objectives, and (iii) measures the risk using defined targets and thresholds. Application of the Risk Tolerance Statements requires that management communicate risk tolerance thresholds and appropriately respond to risk exposures, which are measured as deviations from risk tolerance thresholds. Responses include risk avoidance, reduction, mitigation, or acceptance. Senior management is charged with developing new Risk Tolerance Statements, as applicable, and reviewing and refining existing Risk Tolerance Statements, on at least an annual basis. The DDRJ Board reviews the Risk Tolerance Statements at least annually.

Risk Profile: To identify and assess day-to-day risks more granularly, DDRJ is monitored using a tailored Risk Profile. The Risk Profile consolidates pertinent risk and control data (and may include incidents, audit findings, compliance testing results, and risk metrics) to support an overall assessment of inherent risk (i.e., the risk that exists in the absence of any mitigating controls) and residual risk (i.e., any risk that remains after application of mitigating controls) within each key business line or functional unit. In collaboration with BRM, the DTCC Operational Risk Management Department (ORMD) prepares an Operational Risk Profile for DDRJ on a quarterly basis. The risk profile is part of the comprehensive operational risk management framework and discussed with the DDRJ Management.

To support the effective management of risk across the organization, DTCC and its subsidiaries, including DDRJ, has adopted a “three lines of defense” approach to risk management.

The first line of defense is comprised of the various business lines and functional units, including Product Management, Operations Management, Information Technology, and other areas critical to the daily operations and functioning. Their mandate is to manage risk proactively.

The second line of defense is comprised of control functions, including Legal, Privacy, Compliance, and those areas that fall under the Group Chief Risk Officer’s purview, as outlined below. Their mandate is to provide advice and guidance to the first line of defense in adhering to established risk standards and, as applicable, to monitor compliance with those standards.

The third line of defense is Internal Audit. Internal Audit’s mission is to provide independent, objective and advisory services to assist the organization in maintaining effective risk management and control practices.

Collectively, the three lines of defense are designed to ensure that key risks remain within their risk tolerance thresholds and that any deviation outside a defined risk tolerance threshold is monitored on an ongoing basis and escalated in accordance with the Risk Tolerance Statement applicable to it.

The DDRJ SLA Governance Review is responsible for providing oversight for the management of DDRJ’s risks and operability in accordance with policies agreed with the Board of Directors, and obtaining assurance from Senior Management that the firm’s management culture is supported by appropriate communication, structures, staffing, policies and procedures. It also serves as a forum to review the outsourced functions and establish a proper level of governance. The meeting is scheduled on a monthly basis where all relevant functions are presented.

Key Consideration 2:

An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.

Due to the nature of DDRJ’s business as a designated Trade Repository, DDRJ is not exposed to credit, market or liquidity risk on their daily business; however, DDRJ recognizes the operational risk including the risk that may be exposed by the users and the strategic risk.

As for the operational risk that may be exposed by the users, DDRJ’s Operating Rules and Operating Procedures clearly set out the circumstances under which the users may be denied access to DDRJ’s trade repository services or may be penalized by way of termination, suspension, levying a fine, etc., for their actions. Such circumstances include the cases where the user’s account or IT system is deemed to cause material harm to the normal operation of the DDRJ’s system.

As the designated Trade Repository in Japan, DDRJ facilitates regulatory mandated storing and reporting the trade information to enable regulatory oversight of the OTC Derivatives Market.

Members are provided with a significant amount of information, and incentives, to enable them to monitor and manage the risks they pose to DDRJ. By provision of Trade Repository services that facilitate regulatory mandated storing and reporting of the trade information under the relevant Japanese rules and regulations, DDRJ effectively enables Users to manage their regulatory compliance risk.

DDRJ made provision in the DDRJ’s Operating Procedure for the continuing requirements relating to (among others) the operational condition of participants, which helps ensure that participants have compatible systems and operational processes in place to be connected to DDRJ so as to facilitate the users’ reporting of transaction information to DDRJ in an accurate and timely manner.

To assist users in understanding DDRJ’s services and applications, DDRJ also provides supplemental information that includes functional and operational aspects of Trade Repository.

Key Consideration 3:

An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.

DDRJ operates as a designated Trade Repository providing services to store and report the trade information. If there were an operational failure of participants, the trades of those organizations would not be included in its reporting or storing.

Conversely, if DDRJ were to temporarily fail to operate as expected, in spite of the multiple safeguards that have been put in place to prevent such a situation from occurring, there would be delayed reporting to the regulators.

DDRJ could potentially incur sanction risks by virtue of the transactions that are introduced to us through our members. As DDRJ acts in the capacity of a Trade Repository, and therefore does not facilitate trading or cash movement, the impact of any sanctions finding would be evaluated on a case by case basis.

Material service providers (3rd party vendors) are subject to a comprehensive vendor review and vetting process that covers both credit and operations risk reviews and controls. Mitigants may take the form of contractual protections, or additional or backup providers where deemed appropriate and feasible.

The regulator meetings with service providers dedicated to test the risk management tools by reviewing the metrics and concerns around risk management practice. Risks and potential mitigants are evaluated by BRM and ORMD and discussed with management and the Board of Directors.

Key Consideration 4:

An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.

As a regulated provider of a technical platform for the gathering, storing and dissemination of trade information, DDRJ's resolution scenarios are focused on the orderly transfer of reported data in the event that DDRJ must cease to provide trade reporting services in Japan.

DDRJ has committed to follow the JFSA's Comprehensive Guidelines for Supervision of Financial Market Infrastructures to maintain capital equal to a minimum of 6 months of operating expenses. DDRJ has also committed to providing advanced notice to its regulators in the event DDRJ plans to terminate its business operation in Japan and to seek for an orderly transfer of reported data to an alternative provider.

There are potential scenarios where the direct expenses incurred to maintain the DDRJ reporting services cannot be commercially justified. Other examples include:

- Adverse business environment e.g. OTC trading volume in Japan dwindles due to unforeseen business reasons;
- Competition from other service providers reduces the market share below a sustainable level;
- Operating expenses e.g. regulatory compliance costs grow to an extent where the business operation are unsustainable;
- Unanticipated expenses e.g. regulatory fines, legal liabilities incur to an unsustainable level.

DDRJ shall consult with the regulators in advance and obtain the regulatory approval accordingly and the divestiture and wind-down process shall be conducted in a manner that permits the orderly transfer to other providers of the business as well as other property associated with the DDRJ's business operation with minimum systemic disruption and without loss.

Principle 4: Credit Risk

An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two largest participants and their affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions. All other CCPs should maintain, at a minimum, total financial resources sufficient to cover the default of the one participant and its affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 5: Collateral

An FMI that requires collateral to manage its or its participant's credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 6: Margin

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 7: Liquidity Risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 8: Settlement Finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 9: Money Settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimize and strictly control the credit and liquidity risk arising from the use of commercial bank money.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 10: Physical Deliveries

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 11: Central Securities Depositories

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimize and manage the risk associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilized or dematerialized form for their transfer by book entry.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 12: Exchange-of-Value Settlement Systems

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transaction), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 13: Participant-Default Rules and Procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 14: Segregation and Portability

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 15: General Business Risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can

continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Key Consideration 1:

An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.

DTCC collectively identifies general business risks through analysis of business performance, key performance indicators, the market environment, and through comparison of the financial performance versus the entities' budget and forecast for each of its subsidiaries, including DDRJ.

DTCC considers general business risks to include potential impairment to DDRJ's financial position that results in a loss that would be charged against capital. The potential for impairment could be affected by a variety of factors, including, but not limited to, an unexpected downturn in business volumes or in the economic cycle; external market events and trends; competitive forces, such as competitor's entry that causes margins to erode; changes in regulatory requirements that impact DDRJ and/or DDRJ's users; and unexpectedly large operating expenses.

In order to adequately identify, monitor, and manage these risks, the capital management strategy for DTCC and its subsidiaries, including DDRJ, focuses on the following key objectives:

- Provide financial resources that are sufficient to support DDRJ' business, in terms of both current and forecasted needs;
- Allow DDRJ to maintain adequate capital to protect against risks that may arise under adverse scenarios;
- Satisfy current and anticipated regulatory capital requirements in light of evolving global risk management standards for financial market utilities in markets in which DDRJ operates;
- Maintain access to financial resources to be able to take advantage of strategic/growth opportunities, as well as for business continuity purposes.

DTCC also maintains a disciplined approach to financial planning and management, which it views as a critical element to ensuring sustainability of the operations of DDRJ and its other subsidiaries. Key aspects of this approach include DTCC's annual budget process, during which DTCC creates comprehensive and detailed business operational plans for each of its business lines and functional area. These business plans, which are updated periodically throughout the year, include an assessment of the relevant business environment. Additionally, DTCC's financial planning approach also includes development of a 3-year long-range financial plan annually for the overall enterprise and each operating business. Capital requirements are regularly reviewed at the individual subsidiary level, as well as DTCC in the aggregate. The detailed and comprehensive nature of the yearly business plans, coupled with the business reviews and other tools as mentioned above, allow DTCC and DDRJ to quickly identify relevant events and emerging trends, and to assess their potential financial impact. Based on this information, management takes appropriate measures to minimize business risk. Such measures may include, among other actions, making changes to existing products and services; introducing new products or services; reprioritizing planned or ongoing projects and reallocating resources accordingly; taking cost-reducing measures; and modifying fee structures. These elements are brought together to create a comprehensive financial plan that projects DDRJ' ability to generate the required level of earnings and cash flows to manage and protect against business risks and to support overall business strategies.

In addition to the annual business planning process, DDRJ management works with Finance, Operational Risk Management, Information Technology (IT), Operations, Legal, Compliance, and

other internal areas on an ongoing basis to review and assess the business risks faced by DDRJ. This includes:

- Ongoing review of the DDRJ finances, including revenues, expenses, actual versus target performance, financial projections and funding.
- Quarterly review of the Operational Risk Profile, including any changes in internal risk ratings.
- Ongoing meetings with Information Technology to review and assess application development, ongoing application maintenance, performance testing, and infrastructure.
- Ongoing meetings with Operations to review support levels and any potential risks or issues.

Key Consideration 2:

An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery of orderly wind-down, as appropriate, of its critical operations and services if such action is taken.

DDRJ holds sufficient liquid net assets funded by equity as per Principle 15 of the PFMI so it can continue operations and services as a going concern if it incurs general business losses. DDRJ also adheres to the JFSA's Comprehensive Guidelines for Supervision of Financial Market Infrastructure with regard to the capital requirement, which is to hold sufficient financial resources, including a buffer, to meet its total risk requirements. If necessary, DTCC, the ultimate parent company of DDRJ, should prove a source of strength to contribute additional capital, as may be approved by the DTCC Board.

Key Consideration 3:

An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.

If DDRJ needs to voluntarily suspend or terminate its business operation in Japan, DDRJ is fully committed to establish the framework to assure the smooth transfer of the business from operational, technical and legal perspectives through closely coordinating with the regulators, users, and industry, in addition to meeting the regulatory requirement of obtaining the advanced approval for such voluntary business suspension and termination from the JFSA.

DDRJ takes the potential business risk components into the consideration of budget plan of the capital amount and periodically assesses the level of capital amount.

Please also refer to the explanations made at Key Consideration 2 for Principle 15 and at Key Consideration 4 for Principle 3 above.

Key Consideration 4:

Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.

DDRJ is currently holding its liquid net assets funded by equity in the form of cash, Therefore, there would be no need for conversion. The Investment Policy of DTCC and its subsidiaries, including DDRJ, is underpinned by a prudent and conservative investment philosophy that places highest priority on maximizing liquidity and risk avoidance. It allows for a very narrow range of eligible investments only, i.e. overnight reversed repurchase agreements, bank deposits, and money market

mutual funds investments. This policy ensures that there is very little volatility associated with its holdings of liquid net assets.

Key Consideration 5:

An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.

If DDRJ were to require additional equity, DTCC, its ultimate parent, through DDRJ' immediate parent, DTCC Global Holdings B.V., if needed, DDRJ could appeal to its parent for capital injection. In form of liquid assets and equity before DDRJ's equity were to fall close to or below the minimum regulatory capital requirement as per the relevant rules, regulations, and guidelines.

The framework for assessing current and future capital needs occurs under the direction of the DTCC Board of Directors, which has oversight of DTCC's financial strategy and assess performance against that strategy. At the ultimate parent level, the DTCC Board oversees all finance and capital matters at a group level. Any plans to make changes to DTCC's capital structure or decisions on funding are reviewed and approved by the DTCC Board.

In addition, the DDRJ Board is responsible for the review of DDRJ's financial status and would be involved in plans to raise capital for DDRJ. Further, any such plan to raise capital for DDRJ would be presented to the DDRJ Board for review before the action would be taken.

Principle 16: Custody and Investment Risks

An FMI should safeguard its own and its participants' assets and minimize the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

This Principle is not applicable to DDRJ, because DDRJ conducts trade repository service only.

Principle 17: Operational Risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfillment of the FMI's obligations, including in the event of a wide-scale or major disruption.

Key Consideration 1:

An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.

DDRJ adheres to the DTCC's fundamental approach to risk management in the Corporate Risk Framework. The Corporate Risk Framework is an enterprise policy on the governance of risks arising from business activities and operations; this includes a core set of common processes for identifying, assessing, measuring, monitoring, mitigating, and reporting risk. Risks framework, is a process in which risks of the types listed in the Framework are assessed on an inherent basis (that is, in the absence of any mitigating controls) and then evaluated against the strength of the existing controls (and, as appropriate, for new and additional controls).

To enable management to effectively identify, understand and mitigate risks, DDRJ follows an approach that includes three lines of defense adopted at DTCC level:

- The first line of defense is the businesses and functional units, including Product Management, Operations, Finance, Technology, Legal, Human Resources, and others. It also involves the business risk manager who works closely within business to manage and identify risks in the day to day functions of the business. The business has identified resources globally for the role of Business Risk Manger (BRM) to manage and identify risk in daily operation of the business. Their mandate is to proactively manage risk.
- The second line of defense is comprised of the control functions, including ORMD, the Compliance Department, Technology Risk Management (“TRM”), Privacy and Business Continuity Management (“BCM”). Their mandate is to establish standards for risk management for the company, to provide advice and guidance to the first line of defense in adhering to the standards and to monitor compliance with the standards.
- The third line of defense is the Internal Audit Department (“IAD”). IAD’s mission is to provide independent, objective assurance and advisory services to assist DDRJ in maintaining risk management and control practices, including the manner in which the first and second lines of defense operate.

In addition, ORMD and DDRJ management lead DDRJ’s overall strategy for identifying internal and external sources of risks, assessing the implications, prioritizing and developing plans to address such risks and leading jointly with the DDRJ unit the remediation of such risks, to the extent possible. The ORMD Operational Risk Framework, which has been applied for DDRJ, is comprised of multiple elements, including:

- Risk Tolerance
- Operational Risk Incident Data Collection
- Risk Assessment – Operational Risk Profile
- Scenario Analysis/Lessons Learned
- Management and Board Reporting
- Risk Acceptances
- Vendor Risk Management
- Intercompany Agreements
- New Initiatives

DDRJ follows the operational risk management framework and related elements in accordance with the standards established by the ORMD and set forth in the ORM policies and procedures at DTCC level. At least annually, the policies and procedures will be reviewed, and as appropriate, updated. These framework components have resulted in a profile and it is used by DDRJ to conduct business reviews with stakeholders and risk tolerance owners.

DTCC’s Internal Audit Department annual planning and risk assessment processes are designed to develop an annual risk based audit plan that allocates audit resources according to the risks in the organization. IAD maintains an inventory of all auditable entities of DTCC, its subsidiaries, and JV’s known as the audit universe. The Audit Universe is risk assessed through an auditable entity risk assessment and used as a key input to developing the annual risk-based plan.–Each AE is risk assessed at least annually to determine the Inherent Risk rating (IR) and rating for the strength of the Control Environment (CE) that when taken together result in a Residual Risk score (RR) for the AE which is used to drive the frequency of audit coverage ranging from 12 to 48 months.

The finalized risk assessments and resulting annual plan are documented and discussed with management and regulators prior to being presented to the Audit Committee for approval. In addition, the department regularly monitors the business’s key performance indicators and key risk indicators to understand changes in the business environment, and may perform ad hoc audit procedures when warranted. As Internal Audit is considered the third line of defense, certain business areas and

other control functions (e.g., Compliance, Privacy) also review and test the design and effectiveness of controls.

Employees in accordance with Divisions of Duties have access to a range of in-house, online and external learning offerings and programs to support risk management capabilities, professional/leadership development, and business/functional knowledge. Moreover, the metrics related to human resources including sufficient headcounts with relevant experience and knowledge to support the trade repository business as well as key-person risk is factored into the DDRJ’s Risk Profile.

DDRJ also adheres to the corporate Code of Ethics which sets the parameters of acceptable employee conduct which includes, but is not limited to, fraud prevention.

Additionally, the ORMD includes Fraud as one of its risk framework sub-categories under people and culture risk. As such this topic is part of the ongoing discussions ORMD’s aligned risk managers will have with business representatives when examining and assessing risks, controls, incidents and scenarios.

Key Consideration 2:

An FMI’s board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI’s operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.

Whereas DDRJ’s management is responsible for identifying, managing and mitigating risks by implementing effective controls as appropriate, DDRJ’s Board carries oversight responsibility of the risk management and utilizes DDRJ’s Risk Profile to review, and re-assess the risk management and control effectiveness as the material for standing agenda at the meetings.

The DDRJ Board of Directors has responsibility in overseeing: operational risk management; legal and regulatory compliance and risks; and related matters. Accordingly DDRJ issued a Board Charter, which outlines the board’s roles and responsibilities for operational risk management.

The Board Charter clearly defines the administrative structure, authorities, responsibilities, self-evaluation and reporting. The Board’s job is one of oversight, recognizing that the DDRJ management is responsible for identifying, managing and mitigating risks as appropriate, and implementing and maintaining systems to assist it in these tasks.

DDRJ has adopted DTCC’s Framework using risk families to guide the discussion of risk, and the framework forms the basis of the Risk Tolerance Statements. Support services provided to DDRJ pursuant to SLAs are reviewed monthly with the leadership team during the regularly established SLA Governance Review. Furthermore the Risk Profile management review is initiated by the Operational Risk Manager. DDRJ’s Risk Profile is discussed with the CEO in order to review key risks and related risk tolerances. During the meeting, accepted risk, residual risk themes, and action items are also discussed in detail. Future action plans and management self-identified actions are determined accordingly.

Key Consideration 3:

An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.

DDRJ monitors operational reliability through multiple processes, including incident reporting, monitoring for lifecycle processing, system availability and data reporting; a metrics review of incidents-related key risk indicators that have been identified for event processing, data reporting, system availability and other key processes. These monitoring activities are performed regularly and evaluated by management as required.

DDRJ uses a number of performance measurements to track reliability which is documented in GTR Risk Tolerance Statement. The tolerance statement provides an overall view of DDRJ risk appetite and risk mitigation practices.

The key performance indicators (KPI) and key risk indicators (KRI) are agreed with the management and shared with the Board. Key objectives include system uptime and timeliness of report availability. Additionally, the DDRJ's Risk Profile also captures a number of metrics, including General Business Risk, New Initiatives Risk, Processing and Operations Risk, Information Technology Risk, Cyber and Information Protection Risk, Legal and Regulatory Compliance Risk and Human Capital Risk. Target and Actual performance is tracked for each of these categories quarterly. The metrics are compiled to represent DDRJ operational reliability and are discussed with the supporting functions on a monthly basis as part of the business review processes. At this meeting the management reviews the risks faced by business/supporting functions;

- Discusses the key risk indicators or metrics, including details of any significant risk incidents;
- Re-visits key controls that mitigate the top risks and major changes to the external and internal environment;
- Analyzes any significant trends or incidents since the last update; and
- Considers whether the tolerance is appropriate or changes are warranted.

Key Consideration 4:

An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.

DDRJ participates in the robust DTCC-wide framework for the review and analysis of capacity plans, demands, performance, and extreme conditions are in place. This includes daily, weekly and monthly metrics and an annual review of anticipated business volumes. Enterprise Infrastructure team (EI) provides daily analytics on the volume processed by the data centers and reporting facilities on the global basis. These volume figures are benchmarked to the projected forecast and capacity requirements and being adjusted based on the peaks monitored throughout the month.

Thresholds are agreed with Technology and measured through metrics. The metrics include data base capacity such as memory, disk storage and CPU utilization. The core assumption, which is applicable for mature services, is that capability will not exceed two times the historical peak period without prior signs of market growth/volatility. Models trigger re-assessment if new historical peaks are approached.

The Capacity and Performance group monitors capacity resulting in daily, weekly and monthly usage reports for review by IT Management, and utilizes several real-time performance monitoring tools to identify anomalies and opportunities for efficiency improvements.

Capacity management information and metrics are provided to the DDRJ management on a regular basis with capacity planning information for discussion. Issues are escalated immediately to DDRJ management, when identified. Additionally, capacity testing conducted annually and any situation in which operational capacity is neared or exceeded threshold will be addressed to meet the immediate requirement to continue processing.

Key Consideration 5:

An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.

DDRJ leverages a comprehensive security assessment tool utilized by the DTCC's internal security department (Global Security Management or GSM) as part of an overall program aimed at developing and maintaining a consistent, structured and integrated methodology for identifying, monitoring, managing and reporting on security risks across physical sites and locations throughout the organization.

The process consists of several components, which include: (a) a Security Vulnerability Assessment checklist that is “risk-specific” and facilitates the analysis and reporting of risk information using a common language, and (b) quantitative information, including internal theft events and security breaches, area threat analysis and local area crime statistics to ascertain the effectiveness of current security control structures.

DDRJ participates in the robust DTCC-wide framework for the identification of vulnerabilities. This covers physical assessments by Global Security Management (GSM) to review all critical facilities.

DDRJ also leverages TRM that manages information security within DTCC, including the trade repository subsidiaries. This includes responsibility to:

- Establish and maintain an information security management framework and an organization with the resources, expertise and training to support DTCC’s security strategy;
- Define roles, responsibilities and accountabilities for information security and coordinate information security efforts throughout the enterprise;
- Establish, maintain, communicate and periodically reassess information security policies and a comprehensive information security program, and that (1) incorporates relevant industry information security standards and (2) is published and communicated to all DTCC employees and relevant external parties;
- Review security policy and security control standard exception requests and approve (or reject) them based on a risk assessment that includes a review of the secondary controls;
- Coordinate and periodically assess the implementation of information security across DTCC;
- Be the source of information security advice for new implementations of, and changes to existing, information assets;
- Provide annual information security awareness, education, training and communication for DTCC employees and relevant external parties;
- Identify current and potential legal and regulatory issues affecting information security;
- Perform enterprise-wide threat/vulnerability assessments to facilitate the determination of TRM’s investment and remediation priorities;
- Establish and maintain contacts with external security specialists or groups, including relevant authorities, to keep up with industry trends, monitor standards and assessment methods and provide suitable liaison points when handling information security incidents
- Establish metrics to evaluate the effectiveness of the security program and alignment to risk tolerance statements, and report overall status quarterly to the Management Risk Committee and the DTCC’s Board.

Key Consideration 6:

An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.

DDRJ’s business continuity planning framework leverages the DTCC’s business continuity planning framework and its control process as a whole, which aims to maintain the necessary facilities, personnel, and processes at all times to allow it to provide continuity of critical technologies and operational functions (i.e., either continued operation or the recovery and resumption of such functions within regulatory stipulated timeframes). Additionally, DDRJ maintains a DDRJ specific business continuity plan to allow all critical functions to be carried out in the case of a business continuity event.

The business processes have a relative importance based on the service they provide. DDRJ falls into the Tier 2 ranking. The ability to deploy sensible and balanced controls, as well as to triage recovery efforts, is based on this relative importance.

On an annual basis, Business Continuity Plans are updated and include a Business Impact Analysis (BIA). The BIA validates the criticality of business areas to ensure the appropriate level of controls. The key elements of an effective BIA are:

- Assessment of product line criticality to the enterprise subsidiaries based on a potential impact;
- Assessment and prioritization of product line functions and processes, including their internal and external dependencies;
- Estimation of maximum allowable downtime (MAD) associated with the institution’s business functions and processes;
- Estimation of recovery time objectives, recovery point objectives and recovery of the critical path;
- Identifying dependencies that a product line has and ranking them to align with the process criticality for recovery.

The BCM plan enables all DTCC entities and functions including DDRJ to effectively and efficiently assess the impact of the disruption, organize communication and decision making and coordinate the company’s response effort. The BCM Policy includes definitions of the types of communications necessary, the methodology and some template text to execute the plans. Moreover, the DDRJ management along with BCM is typically responsible for the actual declaration of a crisis event, and its duties internally are to implement the crisis management procedures.

In addition, individual product line and support units are responsible for working with BCM and include a cross section of individuals from various departments throughout the organization. In a crisis, BCM will immediately disseminate a message to internal and external stakeholders to ensure consistent communication to key audiences.

DDRJ specific BCP and the DTCC corporate crisis management plans include the definitions of the type of communications necessary and the methodology. It has a call list that includes DDRJ employees, vendors, suppliers and regulators emergency contact information as well as crisis management strategy and procedures.

Fire drill and other crisis management exercises scheduled to be conducted annually where call tree is activated at least once annually. Documentation also reviewed by the BCM coordinator and re-approved by the management annually.

Key Consideration 7:

An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.

DDRJ operates as a designated Trade Repository in Japan which stores and reports the trade information. If there were operational failure a participant, the trades of those organizations would not be included in its reporting.

Reporting obligation remains with the clients and the FMI monitor these reporting failures through automated alerts and exceptions reports that also provided to the clients.

DDRJ, as a Trade Repository, does not pose risks to other FMIs. Its function is to receive, store and report the trade information to the regulators. In the event DDRJ could not perform this function, it would not pose a risk to another FMI’s functions.

Furthermore, DDRJ outsources a part of the trade repository functions including receiving, processing, and reporting of the trade information to the affiliate. Such outsourcing arrangement was approved by the JFSA in accordance with the specific clause of FIEA. In order to fulfill the oversight responsibility, DDRJ monitors the quality of the services provided, for example, through the periodic meetings with the relevant departments of service providers.

Principle 18: Access and Participation Requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

Key Consideration 1:

An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.

Only the Financial Instruments Business Operators (“FIBO”) and other qualified financial institutions are the users of DDRJ; however, the following requirements must be met for such FIBO and others to onboard and start using the services provided by DDRJ:

- ✓ Signing off DDRJ’s User Agreement
- ✓ Compliance with the DDRJ’s Operating Procedures
- ✓ Compliance with the DDRJ’s Operating Rules
- ✓ Compliance with relevant KYC requirement and regulations for prevention of money laundering and terrorist financing. etc., including US OFAC regulations or prohibition against trade with the parties listed as being sanctioned for asset freeze
- ✓ Completion and submission of relevant forms designated by DDRJ relating to compliance with technical interface requirement, required to provide access to DDRJ’s reporting system
- ✓ Compliance with the information security requirement
- ✓ Payment of fees to be charged

These requirements above are rationally aligned with the natures and risks of DDRJ’s business and its users’ attributes; therefore, they set out the minimum and sufficient level of criteria without imposing excessive restrictions, in order to ensure the safety and efficiency of the trade repository service. These requirements are publicly available at DTCC’s website.

Key Consideration 2:

An FMI’s participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI’s specific risks, and publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavor to set requirements that have the least restrictive impact on access that circumstances permit.

- DDRJ’s users are limited to the financial institutions, primarily the Financial Instruments Business Operators and Registered Financial Institutions defined by FIEA and its relevant Cabinet Officer Ordinance and they are legally obligated to report the trade information for OTC derivative transactions.
- Participants must comply with security requirements and business continuity testing.
- Participants must comply with technical requirements for use of the system or submissions will be rejected.
- DDRJ’s management working with the Industry participants will identify system inefficiencies and market developments, including where such system inefficiencies and market developments will result in a change in the security or technical requirements applicable to

participants, and recommend modifications to the system and/or participation requirements to address the foregoing.

- Terms of use include agreement to abide by security procedures; representations and warranties that (a) participant has power and authority to perform its obligations, (b) its agreement with DDRJ is valid, binding and enforceable, (c) access does not violate any applicable law, (d) access is limited to participant’s authorized personnel and used solely for participant’s business purposes; and (e) DDRJ’s technical specifications are confidential.

The DDRJ’s Operating Rules and Operating Procedures are posted at DTCC’s website, and any changes to such documents are published by an Important Notice at DTCC’s website and notified to all users by other means in advance of such changes.

Key Consideration 3:

An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.

The DDRJ’s Operating Procedures explicitly state that DDRJ retains exclusive control and ownership of the system and services provided by DDRJ.

Also, the DDRJ’s Operating Procedures clearly define the details of expulsion procedures and disciplinary procedures including the right of appeal.

The DDRJ’s Operating Procedures which define such requirements are provided to all users as well as potential users upon request.

The DDRJ’s Operating Procedures are posted at DTCC’s website together with the DDRJ’s Operating Rules and User Agreement, and any changes to the DDRJ’s Operating Procedures and other documents are published by an Important Notice at DTCC’s website and notified to all users by other means in advance of such changes.

Principle 19: Tiered Participation Requirements

An FMI should be reviewed in the context of Principle 14 on segregation and portability, Principle 18 on access and participation requirements, and other principles, as appropriate.

In Japan, there is no regulatory framework of tiered participation for the Trade Repository; thus, this Principle is not applicable to DDRJ.

Principle 20: FMI Links

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

DDRJ conducts trade repository business only and CCP must directly report the centrally cleared trade information to the JFSA under the local regulatory framework. Further, there is no link with other FMIs; thus, this Principle is not applicable to DDRJ.

Principle 21: Efficiency and Effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

Key Consideration 1:

An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products clearing, settled, order recorded; and use of technology and procedures.

DDRJ is a designated Trade Repository in Japan. As a Trade Repository, clearing and settlement arrangements are not applicable to DDRJ.

DDRJ as a regulated entity has designed its entire structure, including legal, governance, technology, operations, compliance and risk management, driven by FIEA and other relevant rules and regulations and the regulatory reporting obligations of its participants. This is evidenced by the following:

- Ownership/Governance Structure:
 - DDRJ is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”).
 - DTCC is a U.S. holding company of several financial services utilities.
- Strategic Planning:
 - DDRJ participates in an annual corporate goals process of DTCC. Corporate goals, which are strategic in nature, are based on consultation with wide range of participants, industry associations, regulators and others.
 - Additionally, the Deriv/SERV Board undertakes annual strategy meetings which establish priorities for global trade repository business and others, which includes DDRJ’s business.
- User Involvement in Product Development:
 - DDRJ ensures participant involvement in product development and ongoing product maintenance and support by leading and/or participating in the discussions with the industry including the regulators.
 - DDRJ’s users may participate in working groups to facilitate communication of industry requirements and focus DDRJ on market and regulatory needs for storing and reporting trade information.
 - Additionally, DDRJ has ongoing discussions with its regulators regarding its current and planned requirements.

Key Consideration 2:

An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum services levels, risk-management expectations, and business priorities.

DDRJ’s goals and objectives are driven by the OTC Derivatives Market Reforms in this market as a designated Trade Repository. The high level goals and objectives in terms of efficiency and effectiveness are as follows:

- Provide regulatory mandated trade repository functions to store and report the trade information as per the industry and regulators set requirements and schedules.
- Support participation by the broadest base of participants as is feasible, without introducing risk to DDRJ, its other participants or the regulators. This would include support for market participants, 3rd party service providers, etc., subject to any applicable laws.
- Provide support for OTC derivatives asset classes defined by the relevant rules and regulations.
- Support internationally accepted communications interfaces and formats.

- Provide storing and reporting functions that meet all regulatory requirements.
- Provide all services as cost effectively as is feasible, while maintaining risk management and compliance controls.
- Provide participant support on an ongoing basis.

The above cited goals are included in the annual Corporate Goals process and shared at the Deriv/SERV Board annual strategy meeting as deemed necessary.

Key Consideration 3:
An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.

Please refer to the explanation in above.

Principle 22: Communications Procedures and Standards
An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Key Consideration 1:
An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.

DDRJ supports industry standard of interfaces technologies, i.e., internet, direct interface (direct end to end line). The interface methods are available for all users.

Additionally, service providers of DDRJ’s users are eligible to use any one or combination of the interface methods. DDRJ’s users need to identify interface method during the onboarding process; however, they can change the interface method throughout its relationship with DDRJ, e.g., selecting a direct line in addition to internet access.

The following list illustrates the available interfaces and associated formats that are supported by DDRJ.

Interface	Type	Format
Direct line	MQ	Financial Product Markup Language (FpML)
Direct line	sFTP/FTP/NDM (push/pull)	Comma Separated Value (CSV)
Direct line	sFTP/FTP/NDM (push/pull)	Financial Product Markup Language (FpML)
Internet	GUI (Upload/Download)	Comma Separated Value (CSV)
Internet	sFTP (push/pull)	Financial Product Markup Language (FpML)
Internet	sFTP (push/pull)	Comma Separated Value (CSV)

Also, DDRJ provides full support for industry standard of the identifiers for financial instruments and counterparties. DDRJ continues working with the industry and regulators for the use of such identifiers.

Principle 23: Disclosure of Rules, Key Procedures, and Market Data

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be public disclosed.

Key Consideration 1:

An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.

The DDRJ’s Operating Procedures and Operating Rules, combined with User Guides, comprise the rules and procedures of DDRJ. These documents are published on DTCC’s website.

The DDRJ’s Operating Procedures have been drafted based on the wider experience of DTCC, consultation with the industry and advice from internal and external counsel, as appropriate.

The material revisions to the DDRJ’s Operating Rules, Operating Procedures, and other documents are subject to the regulators’ review and/or approval.

Key Consideration 2:

An FMI should disclose clear descriptions of the system’s design and operations, as well as the FMI’s and participant’s rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.

The DDRJ’s Operating Procedures contain the rights and obligations of both DDRJ and its users who use DDRJ’s services and system at their own risk.

The DDRJ’s Operating Procedures are equally applicable to all users; therefore, no specific user incurs or is protected from the specific risk more than any other users.

The following documents will provide the detailed information for DDRJ’s system design and operations:

- ✓ Technical specifications
- ✓ Business Requirement Documents (these documents are primarily for internal use, but can be shared with the users)
- ✓ Functional specifications
- ✓ User Guides

The users have access to these documents via a password protected area of DTCC’s website, and potential users who consider using DDRJ’s system will be provided with necessary information subject to a confidentiality agreement.

DDRJ will retain effective oversight over the services and system developed and maintained by Deriv/SERV provided, as described in the DDRJ’s Operating Procedures; all participants agree to the terms of the DDRJ’s Operating Procedures which will be incorporated by reference in their user agreements and are publicly available on the website.

The DDRJ’s Operating Procedures will be modified when required by regulation, pursuant to system upgrades (if changes are necessary) and upon participant or business identification of new services or more efficient processes; modifications will be described by Important Notice posted on the public website pursuant to the DDRJ’s Operating Procedures notice requirements. Material changes to the

Operating Procedures will require prior Board approval as described in the DDRJ’s Operating Procedures.

Key Consideration 3:

An FMI should provide all necessary and appropriate documentation and training to facilitate participants’ understanding of the FMI’s rules and procedures and the risks they face from participating in the FMI.

DDRJ facilitates its user’s understanding of its rules and procedures through the following means:

- ✓ The DDRJ’s Operating Rules and Operating Procedures made available via the website
- ✓ User Guides made available via the public website
- ✓ The relevant personnel of DDRJ are available to the users for their questions, guidance, and concerns relating to their rights and obligations, issue escalation, on-boarding process, and etc..

Key Consideration 4:

An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.

Fees are discussed and approved at the DDRJ’s Board. All costs/service fees/discounts are applied to equally to all similarly situated participants.

Changes to the fees would be notified to all participants by Important Notice posted on the website. Regulation requires all services and all products that may be reported to DDRJ as well as all applicable fees and charges to be made available upon request or published in a manner that is accessible; DDRJ has published such information on DTCC’s website.

Key Consideration 5:

An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.

This is DDRJ’s disclosure document pursuant to the CPSS-IOSCO “Principles for Financial Market Infrastructures: Disclose Framework and Assessment Methodology.” DDRJ will update this disclosure document if there are any material changes to the company or its businesses, and disclose the updated document at a frequency of at least once a year.

JFSA publishes the OTC derivatives trade information with its nominal amounts by user segments and by underlying asset classes. Under the current regulatory framework in Japan, except in case where DDRJ is specifically ordered by the JFSA to disclose, DDRJ is not required to disclose data on OTC derivative transaction and thus DDRJ does not publish such data.

Principle 24: Disclosure of Market Data by Trade Repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

Key Consideration 1:

A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives.

DDRJ receives the OTC derivatives transaction data from the users for the asset classes defined by the relevant rules and regulations in Japan and reports the required trade information to the JFSA. However, as for the publication of the data, the JFSA publishes the OTC derivatives trade information with its nominal amounts by user segments and by underlying asset classes.

Under the current regulatory framework in Japan, except in case where DDRJ is specifically ordered by the JFSA to disclose, DDRJ is not required to disclose basic data on the OTC derivatives transaction and thus DDRJ does not publish such data.

Key Consideration 2:

A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities.

Timely delivery is ensured through the usage of automated system generated reports, which is produced according to pre-determined schedules.

The timeliness of the regulatory reports is monitored based on the target delivery time. When issues are identified, the escalation to the appropriate groups including DDRJ's management, if necessary, is triggered and investigation and rectifying actions are initiated.

Key Consideration 3:

A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analyzed.

Closely working with its service provider, Deriv/SERV, DDRJ built the program in its operating system to validate the required data fields for the JFSA reporting. The Technology team in Deriv/SERV adopted the robust policies and procedures in building the information system based on the requirements. Even if an error or irregularity occurs, it can be alerted and detected in the exceptions report. Trade information is prepared and reported to the JFSA in full compliance with the technical specifications and regulatory requirements in accordance with the relevant rules and regulations as well as the discussions with the regulators.

5. List of Publicly available information

<p>The IOSCO Principles for Financial Market Infrastructures http://www.iosco.org/ and http://www.bis.org</p>
<p>Financial Instruments and Exchange Act http://law.e-gov.go.jp/htmldata/S23/S23HO025.html</p>
<p>Cabinet Office Ordinance on Regulation of Over-the-Counter Transactions of Derivatives, etc. http://law.e-gov.go.jp/htmldata/H24/H24F10001000048.html</p>
<p>Comprehensive Guidelines for Supervision of Financial Market Infrastructures http://www.fsa.go.jp/common/law/guide/seisan.pdf</p>
<p>Bank of Japan Act http://law.e-gov.go.jp/htmldata/H09/H09HO089.html</p>
<p>The DDRJ' Operating Rules, Operating Procedures, User Agreement, etc. http://www.dtcc.com</p>
<p>DTCC Annual Report http://www.dtcc.com</p>