



Disclosure under the Principles for Financial Market Infrastructures

DTCC Data Repository (Japan) K.K.

Date: July 2025

Responding Institution: DTCC Data Repository (Japan) K.K.
Jurisdiction: Japan
Authorities: Japan Financial Services Agency; Bank of Japan

Except as noted in Section II, the information provided in this Disclosure Framework is accurate as of December 31, 2024; financial information and certain other data are provided as of dates specified.

This disclosure can also be found at www.dtcc.com.

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Section 1 Executive Summary

The Committee on Payment and Market Infrastructure and the Technical Committee of the International Organization of Securities Commissions (collectively, “CPMI-IOSCO”) recognize that financial market infrastructures (“FMIs”), which include central securities depositories, securities settlement systems, Central Counterparties (“CCPs”), payment systems and trade repositories, each play a critical and in the financial system and the broader economy. FMIs facilitate clearing, settling, reporting, and recording of monetary and other financial transactions.

As a trade repository, DTCC Data Repository (Japan) K.K. (“DDRJ”) collects, prepares, stores and reports OTC derivatives transactions pursuant to the laws of Japan, in which it is licensed, registered, or designated. CPMI-IOSCO has recognized that, when properly managed, FMIs bring great benefits to promoting market safety.

CPMI-IOSCO’s 2012 report on the Principles for Financial Market Infrastructures (the “FMI Principles”) 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.

This Disclosure Framework covers DDRJ, 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 (“FIBOs”), etc., preparing, storing and reporting such transaction information to the JFSA, as a trade repository designated by the Prime Minister of Japan.

DDRJ conducts trade repository business only. It does not provide settlement, collateral, margin, physical deliveries, central securities depositories, or custodian services. Consequently credit, liquidity, custodian, and investment risks are not relevant for the trade repository. As such, Principles 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 19 and 20 do not apply to DDRJ’s business, and these principles will not be included in this disclosure statement.

This Disclosure Framework is intended to provide relevant disclosure to DDRJ’s stakeholders and other interested parties on DDRJ’s key services and the methods it uses to manage the risks of itself and others of providing these services.

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 DDRJ Board of Directors.

Section 2 Summary of Major Changes Since Last Update

This Disclosure Framework has been updated as of July 31, 2025 and has been published in accordance with the “Principles for Financial Market Infrastructures: Disclosure Framework and Assessment Methodology.” No major change was made from the previous update. However, this document contains some additions and revisions to the previous document made for further clarification, including:

- Principle 2, Key Consideration 1
Clarified roles of DDRJ and Deriv/SERV Management in monitoring DDRJ’ business and operations.
- Principle 2, Key Consideration 4
Removed details on the DDRJ Board’s composition as they are not critical for this disclosure.
- Principle 2, Key Consideration 6
Removed details on how Op Risk categorizes operational risks as they are not critical for this disclosure.
- Principle 17, Key Consideration 1
Removed details on Op Risk Framework as they were already mentioned under Principle 2 Key Consideration 6.
- Principle 18, Key Considerations 1 and 2
Added mention on the Central Counterparties’ participation in the trade repository.
- Principle 22, Key Consideration 1
Updated formats in the interface table to ISO 20022 XML.
- Principle 24, Key Consideration 2
Elaborated on EAS Team’s role in implementing controls, DDRJ leveraging Deriv/SERV for operational and technical support, and issue notification and remediation.

Section 3 GENERAL BACKGROUND OF DDRJ

General Description 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 several¹ jurisdictions globally. DDRJ is subject to oversight by the JFSA. JFSA's objective is 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 is the first trade repository in Japan designated by the Prime Minister of Japan on March 8, 2013.

DDRJ provides the service of preparing, storing, and reporting transaction information submitted from its users who have a regulatory obligation to the JFSA with respect to OTC derivatives transactions that are defined and required by the Financial Instruments and Exchange Act ("FIEA") and its related Cabinet Office Ordinance on the Regulation of Over-the-Counter Derivatives Transactions (the "Cabinet Office Ordinance"). The OTC derivatives transactions which are required to be reported in Japan are the Rates, Credit, FX, Equities, and Crypto asset classes.

Regulatory, Supervisory & Oversight Framework

DDRJ 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 (the "Comprehensive Guidelines"). 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 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.

Organization

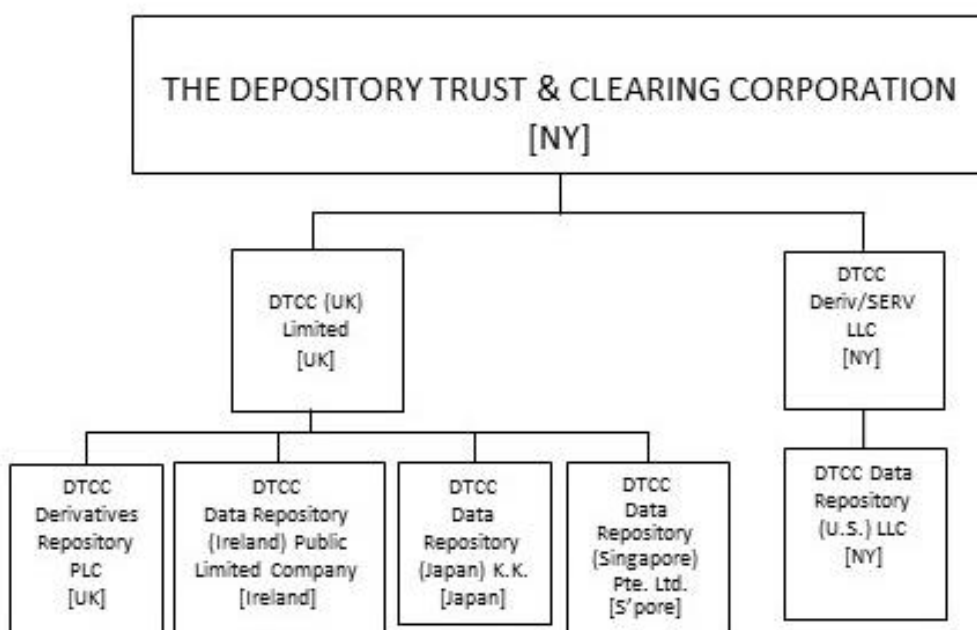
DTCC is the ultimate parent company of DDRJ. DTCC is a non-public holding company that owns a number of Financial Market Infrastructures (FMIs). In addition to DDRJ and trade repositories in the United States (also serving Canada), European Union, United Kingdom, and Singapore, DTCC also owns The Depository Trust Company ("DTC"), the world's largest central securities depository (CSD) 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 and CCP that provides clearing, netting, settlement, risk management, and CCP services for

¹ DTCC has five licensed trade repositories that provide recordkeeping and reporting to several jurisdictional regulators namely: MAS, ASIC, JFSA, CFTC, SEC, ESMA, FCA, FINMA, and the thirteen Canadian provinces and territories regulated at the provincial level. DTCC also provides agency reporting services in Hong Kong for relevant clients; however, DTCC does not operate a licensed trade repository in Hong Kong.

trades involving equities, corporate and municipal debt, exchange-traded funds and unit investment trusts in the United States; and Fixed Income Clearing Corporation (“FICC”), a registered clearing agency and CCP that operates two divisions. FICC’s Government Securities Division provides clearing, netting, settlement and CCP services to the U.S. government securities market. The Mortgage-Backed Securities Division provides such services to the U.S. mortgage-backed securities market. DTCC, through its subsidiaries, provides critical information, post-trade processing, and transactional services, including through its global trade repositories, to financial market participants in the United States and globally.

DTCC is owned by the financial institutions that are participants of its registered clearing agencies. 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. These governance arrangements are more fully described in response to Principle 2 (Governance) below.

DTCC’s subsidiaries that are relevant to the GTR services of DTCC are shown in the following chart²:



DDRJ employs a governance structure which ensures fairness and a robust risk management framework, stemming from the DTCC’s corporate mission. At the highest level, DDRJ’s Board of Directors (the “Board”), currently composed of one Representative Director and three 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 Operational Risk Assessment and its risk control status, (b) internal audit plans and related issues, and (c) compliance updates, as part of its regular agenda.

² Note: This is not a complete chart of the entire DTCC corporate structure.

DDRJ has appointed a statutory auditor that carries the authority and responsibility to supervise the execution of duties by directors and to report results of audits to shareholders. Further details are provided in the principle-by-principle section below.

System & 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.

Section 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.

Furthermore, DDRJ is subject to the supervision of the JFSA pursuant to the Comprehensive Guidelines, 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:

- DDRJ was designated as the trade repository by the Prime Minister of Japan (i.e., via the JFSA)¹ and its scope of activities was also specifically designated², and DDRJ operates under the legal framework, that is, FIEA and its related Cabinet Office Ordinance and the Comprehensive Guidelines and notices issued by the JFSA from time to time,
- DDRJ must adhere to specific details of preparation and recordkeeping and reporting requirements for trade repository³,
- DDRJ is also subject to the User Agreement (including the accompanying the DDRJ Operating Procedures referenced therein) to be entered into between DDRJ and its users, as well as the DDRJ Operating Rules (which set out the summary of framework of operational process and control) and various other contractual agreements. All such required documents are approved by the JFSA pursuant to the designation of DDRJ as the trade repository, 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.

¹ Per FIEA, Article 156-67.

² Per FIEA, Article 156-71.

³ Per FIEA, Article 156-65, Paragraphs 1 and 2 and their related Cabinet Office Ordinance

The DDRJ Operating Rules, User Agreement (and the accompanying 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 and external reviews, including 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 Operating Rules, which describe 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 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 Operating Rules, Operating Procedures and User Agreement, in the form of industry working groups and associations and individual client outreach. Furthermore, user guides along with industry white papers, reports and required regulatory self-assessments or disclosures (such as those associated with CPMI-IOSCO) provide information about DDRJ's activities.

Additionally, the DDRJ Operating Rules and Operating Procedures are posted at DTCC's website, and any changes to the DDRJ Operating Rules and Operating Procedures are notified to all users through the publication of an Important Notice. 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 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, and the Japanese laws 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 Operating Procedures also require 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 were 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:

- The territorial scope of DDRJ's activities is limited to Japan,
- The governing law of DDRJ's Operating Rules applicable to DDRJ and all users is designated to be Japanese laws,
- The trade information to be managed is related to the FIBOs, etc. located in Japan,
- It is extremely unlikely for DDRJ to be involved in the conflict-of-law issues among the multiple jurisdictions associated with 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 specifically set up to serve as a trade repository to handle OTC Derivative Data to facilitate regulatory reporting and oversight of the OTC Derivatives Market by its regulators. This objective of DDRJ is clearly identified in the DDRJ Operating Rules and DDRJ User Agreement. DDRJ participates in an annual corporate goals process, where DDRJ's management formulates the goals every year, and any goals will incorporate the needs and requirements of the industry (including regulators and participants). Potential initiatives are 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, who has ultimate oversight of DDRJ's performance and ultimate authority to support or deny an initiative. Additionally, DDRJ is subject to regulatory oversight and is subject to internal and/or external audits. The DTCC Internal Audit Department ("IAD") 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's affiliate, DTCC Deriv/SERV LLC ("Deriv/SERV") provides services to DDRJ related to its business and operations, which are monitored by DDRJ and Deriv/SERV Management, and its quality of service from risk management perspective is reported to the DDRJ Board 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 business plans are approved by its Board 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; and 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, the 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 trade repositories provided in the Companies Act of Japan, FIEA, Cabinet Office Ordinance, the JFSA's Comprehensive Guidelines 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 Operating Rules 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 a company with a 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 functioning, 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 its documentation, 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 are reviewed as and when the need arises.

The procedures for management of conflicts of interest are set out in the various policy documents in accordance with the Companies Act of Japan, in particular the DDRJ Conflicts of Interest Resolution Policy and the DDRJ Board Charter.

The DDRJ Board undertakes an annual self-assessment of its performance as well as the general performance of directors. DDRJ Board members individually complete an annual assessment, the results of which are summarized and presented to the full Board for discussion.

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 Board are 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/her experience, capabilities, skills, and such other relevant factors as may be determined.

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 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 adheres to DTCC's Human Resources Department's policies on the selection of its senior management, its talent development program and succession planning program. With regards to hiring and selection of the senior level positions of DDRJ's management, senior management members of DTCC and selected DDRJ's Board members are involved in the 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 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.

Risk Management

DDRJ adheres to the DTCC Corporate Risk Management Policy ("CRM Policy"), which has been reviewed and approved by the DTCC Board Risk Committee and is subject to Board oversight. The CRM Policy includes Risk Tolerance Statements covering Strategic Risk⁴ and Operational Risk⁵. The CRM Policy and Risk Tolerance Statements are reviewed, updated as appropriate, and approved by DTCC's Management Risk Committee and DTCC Board Risk Committee annually. The Group Chief Risk Office has risk management policies and procedures addressing their specific areas of responsibility, which are also reviewed and updated annually and shared with the DTCC Board Risk Committee. The Risk Framework is more fully described under Principle 3 (Framework for the comprehensive management of risks). The OR organization oversees implementation and adherence to the Operational Risk ("Op Risk") program and related elements.

This risk management program includes identification, assessment, and management, monitoring and reporting of the risks encountered in conducting DDRJ's day-to-day business, while meeting supervisory and regulatory expectations. Additionally, DDRJ's Embedded Risk Manager ("ERM") identify appropriate risk mitigants; appropriate action plans are formulated and tracked to completion.

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

- The Op Risk framework is comprised of the following elements:

⁴ Including General Business Risk and New Initiatives Risk.

⁵ Including Financial Risk, Legal and Regulatory Compliance Risk, Processing and Operations Risk, Information Technology Risk, Cyber and Information Protection Risk, Business Continuity Risk and Human Capital/People Risk, Model Risk and Third-Party Risk.

- Risk Tolerance
- Incident Data Collection
- Operational Risk Assessment
- Issue Tracking
- Lessons Learned
- Management and Board Reporting
- Risk Acceptances
- Third Party Risk
- End User Computing Applications (EUCA)

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

DDRJ follows DTCC's policies to address operational risk. An Operational Risk Assessment, which includes a risk summary, key risk drivers, risk statements, and risk trends are prepared quarterly. A Risk Tolerance Statement, which identifies risk categories and the associated tolerances, was adopted at the DTCC Deriv/SERV level, and shared with the DDRJ Board.

The DDRJ Operational Risk Assessment remains a standing agenda item at DDRJ's Board meetings.

This arrangement comes from the understanding that DDRJ's management has the responsibility for identifying, managing, and mitigating the risks and it is the responsibility of the DDRJ 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 as it deems necessary. DDRJ's Board is responsible for reviewing and re-evaluating DDRJ's Operational Risk Assessment and the effectiveness of risk management framework and control measures.

The ERM is responsible for overseeing risk-related matters and has the functional responsibility to manage DDRJ's risk management functions. The ERM is in regular contact with DTCC's Op Risk organization. DDRJ adheres to the policies developed at the DTCC corporate level. The ERM 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.

Internal Audit

In addition, to support it in its oversight role, DDRJ leverages the services of the IAD.

The role of DTCC's IAD is to provide independent and objective assurance to challenge the adequacy of DTCC's control environment to promote the organizations resiliency and security, through the assessment of the overall control environment, risk management and control frameworks.

IAD's services include evaluating 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 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 is actively involved in industry outreach and ongoing conversations with its regulators to ensure it satisfies its regulatory requirements. DDRJ's Board escalates, as required, material matters impacting DDRJ to the senior management and relevant functions of DTCC. All formal DDRJ Board meetings are memorialized in meeting minutes, which are circulated to Board members. 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 DTCC's CMR Policy that provides an overarching comprehensive structure, for the management of risk that is common across DTCC's subsidiaries, including DDRJ. The risk management policy for DDRJ provides a conceptual structure designed to guide decisions related to risk management. This policy identifies two major risk categories that will apply to DDRJ:

- Operational Risk which includes the following sub-components:
 - Financial Risk
 - Legal & Regulatory Compliance Risk
 - Processing & Operations Risk
 - Information Technology Risk
 - Business Continuity Risk
 - Cyber and Information Protection Risk
 - Human Capital / People Risk
 - Model Risk
 - Third Party Risk
- Strategic Risk which includes the following sub-components:
 - Business Risk
 - New Initiatives Risk

The ERM 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 Deriv/SERV 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 identified risk category. 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, measured as deviations from them. Senior management is charged with reviewing and refining existing Risk Tolerance Statements, at least annually. The DDRJ Board reviews the Risk Tolerance Dashboard on a quarterly basis.

Operational Risk Assessment

To identify and assess operational risks in detail, such risks are monitored using a tailored Operational Risk Assessment. The assessment consolidates pertinent operational risk and control data (and may include incidents, issues 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. The ERM prepares the risk assessment for DDRJ on a quarterly basis.

Three Lines of Defense

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 supporting functional units, including ERM, 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 Operational and Technology Risk, Legal, Privacy and Compliance. As part of their mandate is to provide advice and guidance to the first line of defense regarding the implementation of corporate risk policies, standards and, as applicable, to monitor compliance with those policies and standards.

The third line of defense is IAD. IAD’s mission is to provide independent and objective services to assist the organization in the operational oversight of its risk management and control practices.

Collectively, the three lines of defense are designed to provide assurance that key risks remain within the business’ risk tolerance thresholds and that any deviation outside a defined risk tolerance threshold are understood and managed back to the business’ risk appetite.

The DDRJ Service Level Agreement (“SLA”) Review provides oversight for the management of DDRJ’s risks and operability and obtaining assurance from senior management that the firm’s management culture is supported by appropriate communication, structures, staffing, policies, and procedures. DDRJ conducts these regular meetings on a monthly basis in principle with the relevant functions to review the quality of services provided by outsourced functions including the key indicators of risks and performances. This allows DDRJ management to drive actions and planning or remediating outstanding issues.

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.

To incentivize users to manage and contain operational risk, 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 a User breaches the User Agreement, the Operating Rules, or the Operating Procedures, when a User neglects or refuses to comply with legitimate direction or request by DDRJ, and when a User causes material or adverse effect on the operation of DDRJ’s system due to its operational error or delay. There is thus an implicit incentive for the users to manage the risks they pose to DDRJ; any risk that impacts the ability of DDRJ to provide mandated reporting to the regulator would negatively impact the users, as their reporting obligations could not be facilitated by DDRJ, the only trade repository in Japan.

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

Users are provided with a significant amount of information to enable them to monitor and manage the risks they may pose to DDRJ. By provision of trade repository services that facilitate regulatory-mandated collecting, preparing, storing, and reporting of the trade information under the relevant

Japanese rules and regulations, DDRJ effectively enables Users to manage their regulatory compliance risk related to trade reporting.

The DDRJ Operating Procedures contains provisions for the continuing requirements relating to (among others) the operational condition of participants, which helps ensure that participants have/maintain compatible systems and operational processes in place to remain 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 trade repository providing regulatory reporting services. If there were an operational failure of a participant or other FMI, this does not affect DDRJ's ability to meet its responsibilities.

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

It is highly improbable (although not impossible) for DDRJ to incur sanction risks by virtue of trade reporting services provided to users who may be sanctioned entities. This is due to strict controls in place. With regard to new user applicants, such entities are subjected to sanctions screening to prevent sanctioned entities from being admitted as users. For existing users, (i) they are subject to DDRJ's user qualifications and participation criteria which require users to comply with all applicable laws and regulations including those related to sanctions and (ii) they are required to notify DDRJ of failure to comply thereto. In addition, DTCC Compliance monitors all users continuously against applicable global watch lists. Should any entity be identified against the lists, DDRJ Compliance would be informed forthwith (to facilitate any necessary reporting to the appropriate authorities) and DDRJ would forthwith terminate the relationship with the sanctioned entity.

Further, 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, however unlikely, would be evaluated on a case-by-case basis.

Critical third-party service providers are subject to a comprehensive review of controls commensurate with the risk identified in the third-party risk assessment. Mitigants may include but are not limited to contractual protections, working with the third party to address control gaps, issues, or additional backup providers where deemed appropriate and feasible.

Performance monitoring meetings with the critical service providers required of engagement owners periodically.

Regular meetings are held with critical 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 the ERM and discussed with management and the DDRJ Board.

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.

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 service is unsustainable);
- Unanticipated expenses (e.g., regulatory fines, legal liabilities incurred to an unsustainable level.)

As a regulated provider of a technical platform for the collecting, preparing, storing and reporting 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 repository services in Japan.

DDRJ has committed to follow the JFSA's Comprehensive Guidelines to maintain capital equal to a minimum of six 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.

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 DDRJ's business operation with minimum systemic disruption and without loss.

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 (“KPIs”), 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 those 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’s 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.
- Maintain access to financial resources to be able to take advantage of strategic/growth opportunities, as well as for business continuity purposes.

To meet DDRJ’s key capital management objectives, DTCC maintains a framework designed to comprehensively assess DDRJ’s capital adequacy, through a disciplined approach to financial planning and management, which it views as a critical element to ensuring sustainability of the operations of DDRJ. This framework focuses on the ability of DDRJ to generate the financial resources needed to support its business, meet regulatory capital requirements, and support its financial resiliency. This approach provides a forward-looking view of expected cash flow and net income, and projects DDRJ’s ability to generate the required level of earnings and cash flows to manage and protect against business risks and to support overall business strategies. Capital requirements are regularly reviewed at the individual subsidiary level, as well as DTCC in the aggregate.

The detailed and comprehensive nature of the annual budget process and related business plans, coupled with the monthly frequency of ongoing business reviews, allow 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, modifying fee structures, and adjusting the level of capital and liquid net assets that DTCC maintains at DDRJ.

In addition to the annual business planning process, DDRJ management works with ERM, Finance, Op Risk, 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 DDRJ finances, including revenues, expenses, actual versus target performance, financial projections, and funding.
- Quarterly review of the Operational Risk Assessment, 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 or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.

DTCC, as part of its overall capital management framework, reviews the regulatory capital position of DDRJ monthly to ensure DDRJ holds sufficient liquid net assets funded by equity to continue operations and services as a going concern if it incurs general business. DTCC develops and maintains forecasts of DDRJ’s revenues, expenses, and regulatory capital position. These forecasts are part of the overall budgeting and financial planning activities of DTCC, and include projections of DDRJ’s profitability, financial resources, and capital requirements. Through these activities, DTCC projects DDRJ’s ability to generate capital necessary to protect against business risks.

DDRJ also adheres to the JFSA’s Comprehensive Guidelines with regards 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 to implement this plan. At a minimum, an FMI should hold 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, disconnect or terminate its business operation in Japan, DDRJ is fully committed to establishing the framework to assure the smooth transfer of the business from operational, technical, and legal perspectives through close coordination 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 also holds at least six months of current operating expenses in liquid net assets, and periodically assesses its capital levels.

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.

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., reversed repurchase agreements, bank deposits, and money market mutual funds investments. This policy ensures that there is minimal volatility associated with its holdings of liquid net assets. DDRJ is currently holding its liquid net assets funded by equity in the form of cash at banks in Japan. Therefore, there would be no need for conversion.

Key Consideration 5: An FMI should maintain a viable plan for raising additional equity should its equity falls close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.

If needed, DDRJ could appeal to DTCC for a capital injection in the 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 JFSA's Comprehensive Guidelines.

The framework for assessing current and future capital needs occurs under the direction of the DTCC Board, which has oversight of DTCC's financial strategy and assesses performance against that strategy. At the ultimate parent level, the DTCC Board oversees all finance and capital matters at a group level. DTCC maintains sufficient financial resources that it could contribute to DDRJ, and, if necessary, is able to raise additional capital by enacting its replenishment plans that contain policies, principles, guidance and governance and an inventory of its tools to raise capital that would enable it to promptly replenish the financial resources of DDRJ as needed. 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 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 risk management approach outlined in the Corporate Risk Framework. The CRM Policy is an enterprise-wide 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.

This DTCC CRM Policy, articulates the Organization's risk management approach and describes how the Organization manages risk in a comprehensive, consistent, and effective manner, enabling DTCC to achieve its strategic business objectives while remaining consistent with its risk tolerances.

To enable management to effectively identify, understand, and mitigate risks, DDRJ has adopted an approach that includes three lines of defense as described in Principle 3 above.

In addition, the GCRO 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.

DDRJ follows the Op Risk framework and related elements in accordance with the standards established by the Op Risk Group and set forth in 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, which is used by DDRJ to conduct business reviews with stakeholders and risk tolerance owners.

The DTCC IAD's annual planning and risk assessment processes are designed to facilitate the development of an annual risk-based audit plan that allocates audit resources according to the risks in the organization. IAD maintains an inventory of auditable entities of DTCC, its subsidiaries, and joint ventures known as the audit universe. The Audit Universe is risk assessed through an auditable entity risk assessment and used as a key input in developing the annual risk-based plan. Each auditable entity is risk assessed at least annually to determine the Inherent Risk rating and the rating for the strength of the Control Environment that when taken together result in a Residual Risk score for the auditable entities; that is used to drive the frequency of audit coverage ranging from 18 to 48 months.

The finalized risk assessments and resulting annual plan are documented and discussed with management prior to being presented to the DTCC Audit Committee for final approval in December of each year. In addition, IAD regularly monitors the business's KPIs and Key Risk Indicators ("KRIs") to understand changes in the business environment and may perform ad hoc audit procedures when warranted. Although IAD 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 headcount with relevant experience and knowledge to support the trade repository business as well as key-person risk is factored into the DDRJ Operational Risk Assessment.

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

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 Operational Risk Assessment to review, and re-assess the risk management and control effectiveness as the material for standing agenda at the meetings.

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

The Board Charter clearly defines the administrative structure, authorities, responsibilities, self-evaluation, and reporting. The one of Board's roles is 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 follows 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 Review. Furthermore, the Operational Risk Assessment review is initiated by the ERM. The assessment is discussed with the management to review key risks. 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 a quarterly Operational Risk Assessment, incident reporting, monitoring for lifecycle processing, system availability and data reporting; a metrics review of incidents-related KRIs 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, with appropriate procedures and controls applied as needed. The ERM provides an update about the key indicators and any breach of the thresholds to the DDRJ Board as part of the risk update.

To continuously maintain high levels of quality, DDRJ uses several concurrent improvement methodologies that, when integrated, provide the company with a powerful quality management toolkit. DDRJ uses several performance measurements to track reliability which is documented in Deriv/SERV Risk Tolerance Statement. The tolerance statement provides an overall view of risk appetite and risk mitigation practices.

The KPIs and KRIs are agreed with the management. Key objectives include system uptime and timeliness of report availability. Additionally, the Risk Tolerance Statements also captures a number of metrics, covering risk families such as Business Risk, New Initiatives Risk, Processing and Operations Risk, Information Technology Risk, Cyber and Information Protection Risk, Legal and Regulatory Compliance Risk, Human Capital Risk, and Third-Party Risk. Target and actual performance metrics are tracked and reported in quarterly Risk Tolerance dashboards.

The metrics are compiled to represent DDRJ operational reliability and are discussed with the supporting functions monthly as part of the business review processes. At this meeting the management reviews the risks faced by business/supporting functions:

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- Discusses the KRIs 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 thresholds are appropriate or if 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. DTCC's Enterprise Product & Platform Engineering team 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.

DTCC's capacity planning and performance management framework provides a governance structure for meeting the requirements of ordinary course of business. This framework utilizes trend analysis, augmented by annual reviews of business application changes, to forecast the following year's capacity demand for both processor and storage capacity for all data centers.

The framework incorporates business forecasts, application throughput, current capacity and scalability, SLAs, performance management, capacity utilization and capacity modeling and forecasts. The annual reviews encompass business defined factors (i.e., growth, new product lines, new applications, etc.) to adjust the trend projection. Furthermore, the framework's scope gives priority to and addresses the largest business areas and the associated production processing environments.

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 DDRJ management on a needed basis with capacity planning information for discussion. Issues are escalated immediately to DDRJ senior 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.

DTCC's internal security department, Global Security Management ("GSM"), utilizes a comprehensive security assessment tool 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 GSM to review all critical facilities.

Cyber Security & Technology Risk Management (“CS&TRM”) provides the second line function for 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 that is approved by management and the DTCC Board 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 ongoing 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 CS&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 Risk subcommittee of the DTCC Board of Directors.

The objective of the DTCC Information Security Policy is to provide management direction and support for information security in accordance with business requirements and relevant laws and regulations. DTCC utilizes several industry-accepted frameworks to develop its policies and standards and provide the foundation of its Information Security strategy. These frameworks include:

- The internationally recognized standard “ISO/IEC 27001:2013—Information technology—Security techniques—Information security management systems—requirements”,
- The FFIEC Information Technology Examination Handbook, which is comprised of several booklets covering a variety of technology and technology-related risk management guidance for financial institutions and examiners, and
- The NIST cyber security framework consisting of standards, guidelines, and practices to promote the protection of critical infrastructure.

DDRJ adheres to DTCC-wide information security policies and processes. DTCC provides DDRJ with a range of information security services including but not limited to: Identity and Access Management, Risk Assessment, Vulnerability Management, Threat Intelligence, Insider Risk Management, and Security Awareness and Training.

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. 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 to include any modifications identified through 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 the product's criticality to the enterprise subsidiaries based on a potential impact,
- Assessment and prioritization of the product's functions and processes, including their internal and external dependencies,
- Estimation of maximum allowable downtime ("MAD") associated with the institution's business functions and processes, and
- Assessment of recovery time objectives ("RTO"), recovery point objectives ("RPO") and recovery of the critical path.

The business continuity plan enables all DTCC entities and functions, including DDRJ to effectively assess the impact of the disruption, organize communication and decision making and coordinate the company's response effort. The Business Continuity & Resilience ("BC&R") Policy includes definitions of the types of communications necessary, the methodology and some template text to execute the plans. Moreover, DDRJ management together with advice from BC&R is responsible for the declaration of a crisis event, and its duties internally are to implement the crisis management procedures.

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

DDRJ specific business continuity planning 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, third party 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 is also reviewed by the business continuity 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 collects, prepares, stores, and reports the trade information. If there were failure of a participant or other FMIs, this is unlikely to affect DDRJ's services.

The reporting obligation remains with the clients, and DDRJ monitors reporting failures through automated alerts and exceptions reports that are also provided to the clients.

DDRJ, as a trade repository, does not pose risks to other FMIs. Its function is to collect, prepare, store, and report relevant 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.

DDRJ outsources a part of the trade repository functions including collecting, processing, preparing, and reporting of the trade information to internal (affiliated) service provider. Such outsourcing arrangements were 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 & 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 FIBOs, CCPs, and other qualified financial institutions are the users of DDRJ pursuant to FIEA; however, the following requirements must be met for such FIBO and others to onboard and start using the services provided by DDRJ:

- Acknowledgment and execution of the DDRJ User Agreement
- Compliance with the DDRJ Operating Procedures
- Compliance with the DDRJ 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 all applicable information security requirements
- Payment of chargeable fees

These requirements above are rationally aligned with the nature and risks of DDRJ's business and its users' attributes, Therefore, they set out the minimum and necessary level of criteria without imposing excessive restrictions in order to ensure the safety and efficiency of the trade repository service.

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 be 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 must meet requirements to ensure the safety and efficiency of DDRJ and its role in the market:

- DDRJ's users are limited to the financial institutions, primarily the FIBOs, CCPs, Registered Financial Institutions, and insurance companies defined by FIEA, and its relevant Cabinet Officer Ordinance and they are legally obligated to report the trade information of OTC derivative transactions.
- Participants must comply with security requirements and business continuity testing.
- Participants must comply with relevant documents (including but not limited to the DDRJ Operating Rules and Operating Procedures) for use of the system, failing which, their submissions will be rejected.

- DDRJ's management, working with 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 such matters.
- 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 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 Operating Rules and Operating Procedures that are posted on DTCC's public website, as well as other relevant documents, describe the requirements of participating in trade repository services conducted by DDRJ. Adhering to those documents, DDRJ monitors the appropriateness of participants' usage of trade repository system and service.

Also, the DDRJ Operating Procedures clearly define the details of involuntary termination procedures and restrictive actions procedures, including the right of appeal.

Any changes to the DDRJ 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.

Access to DDRJ will be denied if a participant uses the DDRJ services in such a manner that violates applicable sanctions laws in relevant jurisdictions (i.e., relevant watchlists such as the U.S. OFAC Sanctions). DDRJ monitors participants' ongoing compliance through the following key methodologies:

- Sanctions screening will be performed on a scheduled basis; and
- Security will be monitored; any security breaches will be identified and raised to senior management.

Any issues identified as part of the planned sanctions screening process would be addressed on a case-by-case basis.

Principle 21: Efficiency & 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 cleared, settled, or recorded; and use of technology and procedures.

DDRJ is a designated trade repository in Japan. As such, 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 DTCC.
- 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 reasonable 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 preparing, 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 service 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 collect, prepare, 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, third 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 collecting, preparing, 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 (Operational, Technical, Account Management, etc.).

These goals are included in the annual “Corporate Goals” process and shared at the Deriv/SERV Board annual strategy meeting as deemed necessary. DTCC uses a variety of metrics to measure efficiency and effectiveness. In addition to the metrics goals included in the Deriv/SERV Board annual strategy meeting; goals and objectives have corresponding deliverables. Furthermore, DDRJ presents its annual goals to the DDRJ Board of Directors.

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

DDRJ uses a variety of metrics to measure its efficiency and effectiveness, as noted in the foregoing (and see also details set out under Principle 17 (i.e., via risk assessment and operating reports)).

Through DTCC’s Application Development and Maintenance group which provides application development services for DDRJ, DDRJ measures technology process effectiveness through industry standard methodologies.

DTCC’s Enterprise Product & Platform Engineering team, which will provide infrastructure services for DDRJ, uses the IT Infrastructure Library (“ITIL”) framework for continued improvement in relation to IT services management.

Each of the processes above have periodic evaluation applied. At the very least, evaluation is performed and communicated to DDRJ senior management quarterly (via risk assessment and operating reports) and provided to the DDRJ Board as a standing item quarterly.

Principle 22: Communication Procedures & 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 participants of the system. Additionally, service providers of DDRJ's users are eligible to use any one or combination of the communications interfaces supported.

DDRJ's users (or their service providers, assuming access has been granted properly) identify their communications interface(s) during the onboarding process; however, they can modify their election throughout their relationship with DDRJ (e.g., selecting a direct line in addition to internet access).

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

Interface	Type	Format
Direct line	MQ	ISO 20022 XML
Direct line	sFTP/NDM (push/pull)	ISO 20022 XML
Internet	GUI (Upload/Download)	ISO 20022 XML
Internet	sFTP (push/pull)	ISO 20022 XML

The above table illustrates the message formats that are supported for each type of interface; these are the internationally accepted standards for message formats for derivatives transactions.

Principle 23: Disclosure of Rules, Key Procedures & 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 publicly 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 Operating Procedures, Operating Rules, and User Agreement, comprise the rules and procedures of DDRJ. These documents are published on DTCC's website.

The DDRJ Operating Procedures have been drafted based on and harmonized with DTCC group standards, consultation with the industry and advice from internal and external counsel, as appropriate.

The material revisions to the DDRJ Operating Rules are subject to the regulators' review and approval.

Key Consideration 2: An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.

DDRJ's system design and operations have been built / structured to apply equally to all users. Supplemental documents can be provided as necessary for a better understanding of DDRJ's system design and operations.

The DDRJ Operating Procedures contain the rights and obligations of both DDRJ and its users who use DDRJ's services and system at their own risk and are equally applicable to all users. This means that each user is not more exposed or protected than any other user.

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 Operating Procedures, all participants agree to the terms of the DDRJ Operating Procedures which will be incorporated by reference in their User Agreements and are publicly available on the website.

The DDRJ 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 Operating Procedures notice requirements. Material changes to the Operating Procedures will require prior Board approval as described in the DDRJ 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 Operating Rules and Operating Procedures made available via the website
- User guides made available via a password protected area of the public website
- The relevant personnel of DDRJ are available to support/assist users for their questions, guidance, and concerns relating to their rights and obligations, issue escalation, on-boarding process, 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.

All costs, service fees and applicable discounts, which are approved by the DDRJ Board, are applied 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 as Appendix to the DDRJ Operating Procedures on DTCC's website.

Key Consideration 5: An FMI should complete regularly and disclose publicly responses to the PFMI-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.

The PFMI-IOSCO disclosure was updated and made public on regular basis. DDRJ will update this disclosure document where there are any material changes to the company or its businesses and disclose the updated document at a frequency of at least every two years.

JFSA publishes the OTC derivatives trade information with its nominal amounts by user segments and by underlying asset classes for the entire market, whereas DDRJ publishes the same information, provided to DDRJ, in the same format on the public website.

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.

JFSA publishes the OTC derivatives trade information with its nominal amounts by user segments and by underlying asset classes for the entire market, whereas DDRJ publishes the same information in the same format for the trade information provided to DDRJ on the public website.

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.

DDRJ has implemented systems, processes, and procedures to provide relevant data to its regulators. Timely delivery is ensured through the usage of automated, system-generated reports, which are produced according to pre-determined schedules.

The Enterprise Application Solutions (“EAS”) Team is responsible for implementing robust automated systems, processes, and controls to ensure that regulatory reports are delivered in a timely, complete, and confidential manner, enabling DDRJ to meet its regulatory mandates and legal responsibilities.

DDRJ accesses enterprise technical resources via its services agreement with Deriv/SERV for operational and technical support so that reporting is continuously supported.

In instances where reporting does not meet requirements, DDRJ Management would be notified, and the appropriate technical and operational resources would be deployed to remediate the issue. In addition to the internal reporting and escalation requirements, any required regulatory notification of such issues will be undertaken in accordance with the relevant law and/or regulations.

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.

The DDRJ operating system has been built in conjunction with its service provider, Deriv/SERV, 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 relevant regulatory requirements. If an error or irregularity occurs, it would 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.

List of Publicly Available Information

DTCC Homepage

<https://www.dtcc.com/>

DDRJ Documents, Operating Rules and Operating Procedures

<https://www.dtcc.com/repository-and-derivatives-services/repository-services/jfsa>