

# Rules on Handling JGB in the Case of Delivery Failure



**Japan Securities Clearing Corporation**

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**(In effect as of February 2, 2004)**

**Contents**

**Provisions**

**Supplementary Provisions**

(Article 1 Purpose)

These Rules set forth the matters necessary for handling Japanese Government Bonds, or JGB, in the Case of Delivery Failure in settlement of Contracts for Clearing on JGB and in Settlement by Physical Delivery and Payment on JGB Futures Contracts pursuant to the provisions of Paragraph 5 of Article 73 and Paragraph 5 of Article 73-15 of the Business Rules.

(Article 2 Payment/Receipt of Delay Compensation)

1 A delivering Securities Clearing Participant involved in the settlement which was deferred pursuant to the provisions of Paragraph 1 of Article 73 of the Business Rules or a delivering JGB Futures Clearing Participant involved in the Settlement by Physical Delivery and Payment, which was deferred pursuant to the provisions of Paragraph 1 of Article 73-15 of the Business Rules\*<sup>1</sup> shall pay delay compensation of 0.04 yen per day per 100 yen for the purchase or sale price or for the price for Settlement by Physical Delivery and Payment\*<sup>2</sup> to JSCC in the Case of Delivery Failure.

(\*<sup>1</sup> hereinafter referred to as “Delivering Clearing Participant Involved with the Delivery Failure”)

(\*<sup>2</sup> fractional amounts less than one yen shall be rounded down)

2 JSCC shall deliver the delay compensation that JSCC received pursuant to the provisions in the preceding Paragraph to a receiving Securities Clearing Participant involved in the settlement which was designated by JSCC pursuant to the provisions of Paragraph 3 of Article 73 of the Business Rules or to a receiving JGB Futures Clearing Participant involved in the Settlement by Physical Delivery and Payment, which was designated by JSCC pursuant to the provisions of Paragraph 3 of Article 73-15 of the Business Rules.\*<sup>1</sup>

(\*<sup>1</sup> hereinafter referred to as “Receiving Clearing Participant Involved in the Delivery Failure”)

3 The calculation period of the delay compensation shall be from the day immediately following the original settlement date to the day on which the relevant settlement is to be completed\*<sup>1</sup> or from the day immediately following the date of Settlement by Physical Delivery and Payment to the day on which the relevant Settlement by Physical Delivery and Payment is to be completed.\*<sup>1</sup>

(\*<sup>1</sup> Excluding holidays)

(Article 3 JGB Accrued Interest)

A Delivering Clearing Participant Involved with the Delivery Failure shall not be entitled to claim for accrued interest for the period from the date immediately following an original settlement date or from the date immediately following the date of Settlement by Physical Delivery and Payment against either JSCC or a Receiving Clearing Participant Involved in the Delivery Failure.

(Article 4 Compensation of Interest)

1 In the case where settlement is to be completed on the interest payment date<sup>\*1</sup> pursuant to the provisions of Paragraph 2 of Article 73 of the Business Rules, the amount equivalent to the interest, which would be received by a receiving Securities Clearing Participant involved in the settlement that was designed by JSCC pursuant to the provisions of Paragraph 3 of the same Article if such settlement was made on an original settlement date, shall be deducted from the amount to be paid/received for such settlement.

(\*1 if such date falls on a holiday, it shall be the immediately following business day)

2 The amount equivalent to the interest that would be received set forth in the preceding Paragraph shall be the amount obtained by deducting tax corresponding thereto; provided, however, that the foregoing shall not apply to a purchase or sale on condition of non-taxable treatment.

(Article 5 Notification of Carrying Out Deferred Settlement or Deferred Settlement by Physical Delivery and Payment)

1 In the case where a Delivering Clearing Participant Involved with the Delivery Failure is to carry out the deferred settlement or the deferred Settlement by Physical Delivery and Payment, it shall notify JSCC to that effect on the day<sup>\*1</sup> immediately preceding the date on which such deferred settlement or deferred Settlement by Physical Delivery and Payment is to be carried out.

(\*1 If such date falls on a holiday, it shall be the immediately preceding business day)

2 The notification set forth in the preceding Paragraph shall be made by 2:00 p.m.

3 In the case where JSCC receives such notification pursuant to the provisions of Paragraph 1, it shall immediately notify the relevant Receiving Clearing Participant Involved in the Delivery Failure of the date on which the deferred settlement or the deferred Settlement by Physical Delivery and Payment is to be carried out.

(Article 6 Prevention of Delivery Failure)

1 With respect to a Securities Clearing Participant and a JGB Futures Clearing Participant, Delivery Failures shall be limited to the cases due to unavoidable reasons.

2 A Securities Clearing Participant and a JGB Futures Clearing Participant shall provide maximum effort to prevent Delivery Failures from happening.

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Supplementary Provisions

- 1 These Rules shall come into effect on January 14, 2003.
- 2 The delay compensation set forth in Article 2 of these Rules shall be 0.025 yen per day per 100 yen of the purchase or sale price for the time being.

Supplementary Provisions

- 1 These revised Rules shall come into effect on February 2, 2004.
- 2 The delay compensation set forth in Article 2 of these Rules shall be 0.025 yen per day per 100 yen of the price of Settlement by Physical Delivery and Payment for the time being.

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