

## **Business Regulations**

(as of April 4, 2022)

Japan Exchange Regulation

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## **Chapter 1**

### **General Provisions**

#### **Rule 1. Purpose**

These Rules shall prescribe necessary matters concerning the execution of the self-regulatory operations that Japan Exchange Regulation (hereinafter referred to as "JPX-R") carries out based on entrustment by the entrusting financial instruments exchanges pursuant to the provisions of Article 39, Paragraph 1 of the Articles of Incorporation.

#### **Rule 2. Definitions**

In these Rules, the term listed in each of the following items shall mean as prescribed in each such Item:

- (1) The entrusting financial instruments exchange shall mean Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc.;

- (2) Financial instruments, etc. shall mean financial instruments or options;
  - (3) A Trading Participant shall mean the Trading Participant of the entrusting financial instruments exchange;
  - (4) A listed security shall mean a security listed on the market of the entrusting financial instruments exchange;
  - (5) Securities trading, etc. shall mean securities trading and market transactions of derivatives.
  - (6) New listing, etc. shall mean new listing of financial instruments, etc. (excluding the new listing of financial instruments, etc. for specified market transactions of derivatives (meaning market transactions of derivatives where underlying stocks of financial instruments, etc. are specified under the Business Regulations and other rules of the entrusting financial instruments exchanges; the same shall apply hereinafter), change in the market segments of listed securities and removal of a grace period with respect to an inappropriate merger, etc.); and
  - (7) Inspections shall mean inspections on Trading Participants as prescribed in Chapter 3
2. In addition to the definitions prescribed in the preceding paragraph, the definitions of the terms used in these Rules shall be as prescribed in laws and regulations, the Business Regulations and other rules of the entrusting financial instruments exchange, except as otherwise provided by provisions of these Rules.

### **Rule 3. Self-regulatory Operations, etc. Carried Out by JPX-R**

JPX-R shall carry out the self-regulatory operations enumerated in each of the following items based on entrustment of the entrusting financial instruments exchange.

- (1) Examination on qualifications of Trading Participants
- (2) Inspections on Trading Participants
- (3) Market surveillance on securities trading, etc.
- (4) Decision on details of disciplinary actions and other measures against Trading Participants
- (5) Examination with respect to new listing of financial instruments, etc.
- (6) Examination with respect to delisting of financial instruments, etc. (excluding delisting of financial instruments, etc. for specified market transactions of derivatives)
- (7) Examination on information disclosure by an issuer of listed securities about such issuer and decision on details of measures such as a regulatory action against an issuer of listed securities
- (8) Development, amendment or abolishment of rules of the entrusting financial instruments exchange concerning execution of the operations listed in each of the preceding items (excluding criteria for listing and delisting of financial instruments, etc. and criteria for granting Trading Participant qualifications)

- (9) Preparation of a summary of agendas for general shareholders meetings of the entrusting financial instruments exchange with respect to amendment to the Articles of Incorporation of the entrusting financial instruments exchange concerning execution of the operations listed in Item (1) through Item (7) (excluding amendment to the Articles of Incorporation with respect to criteria for listing and delisting of financial instruments, etc. and criteria for granting Trading Participant qualifications)

#### **Rule 4. Basic Policy for Executing Self-regulatory Operations**

JPX-R shall carry out self-regulatory operations rigidly and appropriately from a fair and neutral standpoint in accordance with these Rules in addition to laws and regulations, the Articles of Incorporation, and the Business Regulations and other rules of the entrusting financial instruments exchange.

#### **Rule 5. Entrustment Agreement**

1. JPX-R shall enter into an entrustment agreement with the entrusting financial instruments exchange to carry out self-regulatory operations.
2. The entrustment agreement shall prescribe the matters listed in each of the following items and other matters necessary to secure appropriate execution of the self-regulatory operations of JPX-R:
  - (1) Details of the entrusted self-regulatory operations
  - (2) Provision of records and materials necessary for execution of self-regulatory operations
  - (3) Confidentiality obligations
  - (4) Method for calculating operation entrustment commissions
  - (5) Causes for termination of the entrustment agreement

#### **Rule 6. Prohibition of Re-entrustment**

1. JPX-R shall not re-entrust the self-regulatory operations entrusted by the entrusting financial instruments exchange to another entity; provided, however, that this shall not apply to cases where specified operations (meaning specified operations prescribed by Article 85, Paragraph 4 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act")); the same shall apply hereinafter) are entrusted to another entity with the agreement of the entrusting financial instruments exchange.
2. If JPX-R entrusts specified operations to another entity based on the provisions of the proviso to the preceding paragraph, it shall take the measures enumerated in the following items and any other necessary measures to ensure the proper execution of the specified operations in accordance with the provisions of Article 7-3 applied mutatis mutandis pursuant to Article 32-2 of the Cabinet Office Ordinance on Financial Instruments

Exchanges, etc. (Cabinet Office Ordinance No. 54 of 2007).

- (1) JPX-R shall carry out the necessary investigations on the state of execution of operations, the management system, the financial condition and other matters of the entity to which it is to entrust the specified operations, and carry out examination of whether the specified operations can be executed in a proper, just, and efficient manner;
- (2) JPX-R shall enter into an agreement with the entity to which it entrusts the specified operations (hereinafter referred to as the "trustee"), which specifies the obligations of the trustee pertaining to information management, the reasons for terminating entrustment, and any other necessary matters to ensure the proper execution of the specified operations; and
- (3) In order to confirm the state of execution of the specified operations, the management system, and the financial condition of the trustee, JPX-R shall request the trustee to submit reports or materials on such matters, or carry out on-site inspections of books, documents, or other objects of the trustee.

#### **Rule 7. Confidentiality Obligation**

JPX-R shall not use information that has become known to it in relation to self-regulatory operations for any other purpose than to use for such self-regulatory operations.

### **Chapter 2**

#### **Examination of Trading Participant Qualifications**

#### **Rule 8. Examination for Approving Trading Qualifications Obtainment**

1. JPX-R shall carry out examination, based on the criteria prescribed by the entrusting financial instruments exchange, if an entity who wishes to obtain trading qualifications for the entrusting financial instruments exchange (hereinafter referred to as a "trading qualification obtaining applicant") makes an application for obtaining a trading qualification to the entrusting financial instruments exchange.
2. JPX-R shall request a trading qualification obtaining applicant to submit reports or materials which are referential with regard to operations or assets of the trading qualification obtaining applicant, or shall cause employees of JPX-R to inspect the state of operations or assets or books, documents or any other article of such trading qualification obtaining applicant, if JPX-R deems it necessary for the examination in the preceding paragraph.
3. When fixing results of the examination in Paragraph 1, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

### **Rule 9. Examination with respect to Approval of Mergers, etc. of Trading Participants**

1. Where a Trading Participant applies for approval to the entrusting financial instruments exchange concerning a merger, succession of part of a business caused by demerger (in cases of a registered financial institution, this shall mean the operations of the registered financial institution; the same shall apply hereinafter) to another company, succession of the whole or part of a business caused by demerger, transfer of part of business to another company or transfer of the whole or part of business from another company, JPX-R shall carry out examination on the basis of the criteria set forth by the entrusting financial instruments exchange.
2. The provisions of Paragraph 2 of the preceding rule shall be applied mutatis mutandis to the examination in the preceding paragraph.
3. Where any act of the Trading Participant prescribed in the same paragraph is deemed inappropriate in the light of the administration of the market of the entrusting financial instruments exchange in the examination in Paragraph 1, JPX-R shall conduct a hearing with such Trading Participant and shall decide that it is not appropriate for the entrusting financial instruments exchange to approve of such act. In this case, where the Trading Participant submits a written statement, the hearing may be replaced by such submission.
4. Where the Trading Participant does not comply with the hearing in the preceding paragraph without any adequate reason, JPX-R may carry out the decision in the same paragraph without carrying out a hearing.
5. When fixing the result of the examination in Paragraph 1, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.
6. Where the entrusting financial instruments exchange does not give approval to the act prescribed in Paragraph 1 and the Trading Participant files an objection with the entrusting financial instruments exchange on the basis of the decision in Paragraph 3, JPX-R shall hold a meeting of the Board of Governors without delay.
7. Where it is deemed appropriate to change or cancel the decision in Paragraph 3 in the meeting of the Board of Governors specified in the preceding paragraph, the decision shall be changed or cancelled immediately.
8. Where the change or cancellation in the preceding paragraph is made, JPX-R shall notify the entrusting financial instruments exchange of that fact immediately.

## **Chapter 3**

### **Inspections on Trading Participants**

#### **Rule 10. Purpose of Inspection on Trading Participants**

1. JPX-R shall consider inspections and carry out measures against the Trading Participant on the basis of the result pursuant to the provisions set forth by JPX-R.

2. Inspection in the preceding paragraph shall be aimed at carrying out a survey on the state of observation of laws and regulations or disciplinary actions of administrative agencies under laws and regulations or the Articles of Incorporation, Business Regulations, Brokerage Agreement Standards and any other rules or disciplinary actions based on these or just and equitable principles of trade (hereinafter referred to as "Laws, etc.") and the state of operations or assets with respect to the Trading Participant, and JPX-R shall carry out necessary measures on the basis of the results of such survey, thus securing the trust and cooperation of Trading Participants for the public interest and the protection of investors.

**Rule 11. Issuing Warning, etc.**

1. Where an act of the Trading Participant violates, or is deemed to be likely to violate, Laws, etc. as a result of the inspection, JPX-R shall caution such Trading Participant excluding a case where disciplinary actions as prescribed in Rule 20, Paragraph 1 are executed.
2. Where JPX-R cautions the Trading Participant pursuant to the provisions prescribed in the preceding paragraph, JPX-R shall require such Trading Participant to report its improvement measures, etc. in writing, when it deems this necessary.

**Rule 12. Requests, etc.**

1. Where the state of operations or assets of the Trading Participant are deemed to be inappropriate or are likely to become inappropriate in consideration of market operation of the entrusting financial instruments exchange as a result of the inspection, JPX-R shall require such Trading Participant to carry out necessary measures to improve such circumstances, excluding cases where recommendation as prescribed in Rule 22, Paragraph 1 is made.
2. Where a request prescribed in the preceding paragraph is made, JPX-R shall require such Trading Participant to report its improvement measures, etc. in writing, when it deems this necessary.

**Chapter 4**

**Surveillance of Securities Trading, etc.**

**Rule 13. Purpose of Examination of Securities Trading, etc.**

The purpose of examination of securities trading, etc. to be carried out by JPX-R is to discover an act in violation of laws and regulations or disciplinary actions of administrative agencies or the Articles of Incorporation, Business Regulations, Brokerage Agreement Standards and any other rules or disciplinary actions on the basis of these, or an act which violates the just and equitable principles of trade (hereinafter referred to as "Violating

Acts") and acts which are likely to fall under Violating Acts, and shall simultaneously carry out necessary measures against Trading Participants, etc. involved in these acts, thus preventing Violating Acts and acts which are likely to fall under Violating Acts, securing the trust of the entrusting financial instruments exchange and Trading Participants, etc., and being conducive to the public interest and the protection of investors, concerning securities trading, etc. in the market of the entrusting financial instruments exchange.

#### **Rule 14. Transactions for Examination**

JPX-R shall carry out examination of securities trading, etc. listed in each of the following items:

- (1) Transactions in stocks, contract month transactions, contract day transactions, or the movements of the prices or turnovers of which are not ordinary
- (2) Transactions, etc. of stocks where an important fact concerning operations, etc. as prescribed in Article 166, Paragraph 1 of the Act with respect to the issuer of listed securities and a fact relating to a public offer prescribed in Article 167, Paragraph 3 of the Act (hereinafter referred to as "Material Facts, etc.") are publicly announced
- (3) Other securities trading, etc. that JPX-R deems it necessary to carry out examination

#### **Rule 15. Examination Items**

Examination of securities trading, etc. listed in each of the Items in the preceding rule shall be carried with respect to necessary items, out of the items listed in each of the following items and other items:

- (1) State of movements of prices and turnovers
- (2) State of sale or purchase of Trading Participants
- (3) Matters concerning the entrustment and the state of the entrustment of a sale or a purchase by such entrustor
- (4) Details of Material Facts, etc. and matters concerning its public announcement
- (5) State of transactions, etc. of a Trading Participant that is a managing underwriter for the issuer of listed securities

#### **Rule 16. Request for Materials, etc. for Examination**

1. Where JPX-R deems it necessary to carry out examination of securities trading, etc. referred to in any item of Rule 14, JPX-R shall require a Trading Participant to present or allow inspection of its books, documents and other articles, or submit materials or explain the facts, as well as prepare written documents stating the details of such explanation, etc.
2. Where JPX-R deems it necessary to carry out examination of securities trading, etc. referred to in any item of Rule 14 on an issuer of listed securities, JPX-R shall inquire into the developments, etc. from the occurrence of corporate information to the public

announcement by the issuer of the listed security, where JPX-R deems it necessary to carry out a survey in order to secure fairness of securities trading, etc., and shall require the same to submit materials deemed necessary for such examination or explain the facts, as well as prepare written documents stating the details of such explanation.

3. Where JPX-R deems it necessary to carry out examination of securities trading, etc. referred to in any item of Rule 14 on a person conducting low latency trading prescribed in Article 2, Paragraph 41 of the Act, JPX-R shall request the person conducting low latency trading to submit materials deemed necessary for such examination or explain the facts, as well as prepare written documents stating the details of such explanation.

#### **Rule 17. Issuing Warnings to Trading Participants, etc.**

1. Where an act of a Trading Participant is deemed to be an act in violation or an act which is likely to fall under an act in violation as a result of the examination of securities trading, etc., JPX-R shall issue warnings to such Trading Participant, where it deems it necessary.
2. JPX-R shall require such Trading Participant to report improvement measures, etc. by written documents, where JPX-R issues warnings pursuant to the provisions prescribed in the preceding paragraph and deems it necessary.

#### **Rule 18. Issuing Warnings to Issuers of Listed Securities, etc.**

1. JPX-R shall issue warnings to an issuer of listed securities, where it deems that the act of such issuer of the listed security is an act in violation of laws and regulations or an act which is likely to fall under that in violation of laws and regulations or where it concludes that the internal system for the prevention of unfair trading with respect to corporate information is not adequate and deems it necessary, as a result of the examination of securities trading, etc.
2. JPX-R shall require the issuer of such listed security to report improvement measures, etc. by written documents, where it draws the violation to its attention pursuant to the provisions of the preceding paragraph and deems it necessary.

#### **Rule 18-2. Request for Re-inspection to Issuer of Listed Securities, etc.**

1. JPX-R shall request an issuer of listed securities to re-inspect such issuer's internal systems for preventing unfair trading that pertain to its company information, concerning securities trading, etc. in the market of an entrusting financial instruments exchange, in cases where the administrative agency has recommended order of surcharge payment, made accusation or taken other measures because an act of a board member, executive officer, agent, employee, or any other worker of such issuer of the listed securities (including an asset management company in cases of an investment corporation that is an issuer of listed real estate investment trust; the same shall apply hereinafter in this rule) falls, or is suspected of



falling, under transactions prohibited pursuant to the provisions of Article 166, Paragraph 1, or Article 167, Paragraph 1 of the Act or an act prohibited pursuant to the provisions of Article 167-2 (hereinafter referred to as "insider trading, etc.") and where JPX-R deems it necessary.

2. In cases where JPX-R requested re-inspection pursuant to the provisions of the preceding paragraph and the issuer of the listed securities deems, as a result of such re-inspection, that no problem is found in its internal systems, JPX-R shall request such issuer to report such fact and its reason in writing. Or, where JPX-R requested such re-inspection and such issuer deems that there is a problem in its internal systems, JPX-R shall request such issuer to report improvement measures, etc. in writing.
3. The provisions of Paragraph 1 shall apply mutatis mutandis when JPX-R finds it necessary as a result of the examination of securities trading, etc. in cases where JPX-R deems that an act of a board member, executive officer, agent, employee, or any other worker of an issuer of listed securities or its subsidiary is likely to fall under insider trading, etc.

#### **Rule 19. Securities under Supervision**

1. Where a person, who has purchased and amassed a considerable number of stocks, etc. issued by the issuer of share certificates of a specified stock, has submitted a large shareholding report (excluding cases where such person who has purchased and amassed the shares has already submitted an amendment report on the fact that the ratio of the share certificates, etc. held has fallen to 5% or below), and the movement of the price or any other transaction state, etc. of share certificates, etc. of such stock is extremely unusual, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to designate the stock as Securities under Supervision.
2. JPX-R shall require a Trading Participant to report on transaction details, etc. on the Securities Under Supervision as prescribed by JPX-R.
3. JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to cancel the designation of Securities Under Supervision when JPX-R so specifies.
4. Where JPX-R makes a decision referred to in Paragraph 1 or the preceding paragraph, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

### **Chapter 5**

#### **Decision on Details of Disciplinary Actions and Other Measures against Trading Participants**

#### **Rule 20. Decision of Details of Disciplinary Actions against Trading Participants**

1. Where JPX-R deems that a matter which is the subject of a disciplinary action to be carried out against a Trading Participant has come to fall under a matter prescribed by the

entrusting financial instruments exchange and JPX-R deems it necessary, JPX-R shall carry out a hearing with such Trading Participant and decide details of the disciplinary actions that the entrusting financial instruments exchange should undertake.

2. Where details of the disciplinary actions are fixed or a decision that no disciplinary actions will be undertaken is made pursuant to the provisions of the preceding paragraph and JPX-R deems it necessary, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to require such Trading Participant to submit a report as prescribed by the entrusting financial instruments exchange.
3. JPX-R shall decide whether or not it should make a decision as prescribed in Paragraph 1 or issue warning as prescribed in Rule 11 or 17, regardless of intention or negligence of officers or employees of such Trading Participant, its extent and any other circumstances.
4. Where a decision as in Paragraph 1 or 2 is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

#### **Rule 21. Decision, etc. of Details of Measures of Trading Participants**

1. Where JPX-R deems that a matter which is the subject of disciplinary actions to be imposed against a Trading Participant has come to fall under a matter prescribed by the entrusting financial instruments exchange and JPX-R deems it necessary, JPX-R shall carry out a hearing with such Trading Participant and decide details of the measure that the entrusting financial instruments exchange should undertake.
2. Where a Trading Participant applies to the entrusting financial instruments exchange for cancellation of disciplinary actions such as suspension of securities trading, etc. pursuant to the provisions prescribed by the entrusting financial instruments exchange, JPX-R shall decide whether or not it is appropriate for the entrusting financial instruments exchange to approve it.
3. Where a Trading Participant receives disciplinary actions of suspension of securities trading, etc. (excluding brokerage for clearing of securities, etc.) or suspension of entrustment of brokerage for clearing of securities, etc. without a period given, and cannot receive approval as prescribed in the preceding paragraph within a year from the day on which such disciplinary actions are received, JPX-R shall decide whether or not the entrusting financial instruments exchange should cancel the trading qualifications of such Trading Participant pursuant to the decision of a meeting of the Board of Governors, where it deems this necessary.
4. Where decision in the preceding three paragraphs is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

#### **Rule 22. Decision of Recommendation to Trading Participants**

1. Where JPX-R deems the state of the operations or assets of a Trading Participant to be

inappropriate in the light of the administration of the market of the entrusting financial instruments exchange, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to recommend the Trading Participant to carry out an appropriate measure.

2. Where a decision in the preceding paragraph is made, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to require such Trading Participant to submit a report as prescribed by the entrusting financial instruments exchange, where it deems this appropriate.
3. JPX-R shall decide whether or not it should carry out the decision in Paragraph 1 and the request pursuant to the provisions of Rule 12, comprehensively taking into account the state of the internal administrative system and other circumstances of such Trading Participant.
4. Where a decision as in Paragraph 1 or 2 is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 23. Decision of Request to Change Co-operative Relationship or Control Relationship with Officers of Trading Participants or Others**

1. Where JPX-R deems the co-operative relationship or the control relationship with officers of a Trading Participant or others inappropriate in the light of the market operation of the entrusting financial instruments exchange, JPX-R shall decide whether or not it is appropriate for the entrusting financial instruments exchange to require to change it, after carrying out a hearing with such Trading Participant.
2. Where decision in the preceding paragraph is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 24. Investigation of Trading Participants**

The provisions of Rule 8, Paragraph 2 shall be applied mutatis mutandis to decision in Paragraphs 1 and 2 of Rule 20, Paragraph 1 through Paragraph 3 of Rule 21, Paragraphs 1 and 2 of Rule 22, Paragraph 1 of the preceding rule, and investigations on a Trading Participant to be carried out by JPX-R deeming this necessary to secure fairness of securities trading, etc. in the market of the entrusting financial instruments exchange.

**Rule 25. Filing Objections, etc.**

The provisions in the latter part of Paragraphs 3 and 4 of Rule 9 shall be applied mutatis mutandis to hearings in Paragraph 1 of Rule 20, Paragraph 1 of Rule 21 and Paragraph 1 of Rule 23, and provisions in Paragraph 6 through Paragraph 8 of Rule 9 shall be applied to decision in Paragraphs 1 and 2 of Rule 20, Paragraph 1 through Paragraph 3 of Rule 21 and Paragraph 1 of Rule 23, respectively.

## **Chapter 6**

### **Examination with respect to New Listing of Financial Instruments, etc.**

#### **Rule 26. Examination with respect to New Listing of Financial Instruments, etc.**

1. JPX-R shall conduct examination of whether or not financial instruments, etc., which the entrusting financial instruments exchange entrusts to it, will meet the criteria concerning new listing, etc. as prescribed by the entrusting financial instruments exchange.
2. JPX-R shall require an entity who applies for new listing, etc. on the market of the entrusting financial instruments exchange to present or allow inspections of books, documents, and any other article deemed necessary for the examination in the preceding paragraph, and to submit materials or explain facts and prepare written documents stating details of such explanation, etc.
3. Where the result of an examination as in the preceding paragraph is decided, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

## **Chapter 7**

### **Examination, etc. concerning Disclosure by Issuers of Listed Securities of Information on such Issuers**

#### **Section 1**

#### **Examination concerning Disclosure by Issuers of Listed Securities of Information on such Issuers**

#### **Rule 27. Purpose of Disclosure Examination**

Examination concerning disclosure of information on an issuer (including an entity who makes submission and disclosure, etc. of documents, etc. on the basis of the rules of the entrusting financial instruments exchanges; the same shall apply hereinafter in this and the next chapters) made by said issuer of listed securities (hereinafter referred to as "Disclosure Examination") shall be made to carry out a survey on the state of disclosure of corporate information to be made as prescribed by the entrusting financial instruments exchange, and take necessary measures such as regulatory actions in accordance with the results of such survey, thereby securing the appropriateness of disclosure of corporate information, making securities trading, etc. in the exchange financial instruments market fair and smooth, and contributing to the public interest and the protection of investors.

#### **Rule 28. Subject of Disclosure Examination**

JPX-R shall conduct Disclosure Examination concerning the items listed in each of the following items with respect to disclosure deemed to have a material effect on investment decision or any other disclosure deemed necessary as the subject by JPX-R, out of the disclosure of information made by an issuer of listed securities with respect to such issuer.

- (1) The relationship between the timing when such issuer discloses such information and the timing when such issuer makes decision on such information or recognizes such information
- (2) Inconsistency between information disclosed by such issuer and information disclosed in the Extraordinary Report or any other legal disclosure documents submitted by such issuer
- (3) Appropriateness of details of information disclosed by such issuer
- (4) Other information deemed necessary by JPX-R

#### **Rule 29. Request for Materials, etc. for Disclosure Examination**

JPX-R shall require the issuer of listed securities to submit materials deemed necessary for the examination in the preceding rule or explain facts and prepare written documents stating details of such explanation.

### **Section 2**

#### **Decision on Details of Measures Such As Regulatory Actions against Issuers of Listed Securities**

#### **Rule 30. Designation as Securities on Alert**

1. Where an issuer of listed securities falls under cases referred to in each of the following items and JPX-R deems that improvement is highly necessary to the internal management system, etc. of such issuer, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to designate such listed security as a Security on Alert.

- (1) Where, after JPX-R deems that the issuer of the listed security is likely to fall under criteria concerning delisting of financial instruments, etc. as prescribed by the entrusting financial instruments exchange (limited to the criteria concerning violation of listing agreement, etc. (excluding cases where the issuer of the listed security has committed a material breach as to matters in the written oath concerning an application for a new listing or a change in market segments), the criteria concerning prejudice of sound transactions with a controlling shareholder, the criteria concerning involvement of anti-social forces, and other criteria concerning the public interest and the protection of investors), JPX-R deems it will not fall under such criteria.
- (2) Where the issuer of the listed security has submitted an improvement report as specified by the entrusting financial instruments exchange (limited to cases referred to

in the following a. or b.), and JPX-R deems that no improvement is recognized as to the state of implementation and operation of the improvement measures.

- a. Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc., which are prescribed by the entrusting financial instruments exchange.
  - b. Where it is deemed that the issuer has violated the provisions concerning matters which the entrusting financial instruments exchange specifies as matters to be observed, out of code of conduct regarding corporate actions (hereinafter referred to as the "code of corporate conduct")
2. Where decision in the preceding paragraph is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

### **Rule 31. Request for Improvement Report**

1. Where an issuer of listed securities falls under cases referred to in each of the following items and JPX-R deems the improvement is highly necessary, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to require such issuer to submit a report stating its developments and improvement measures.
  - (1) Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc., which are prescribed by the entrusting financial instruments exchange.
  - (2) Where it is deemed that the issuer has violated the provisions concerning the code of corporate conduct.
2. Where an issuer of listed securities does not appropriately make submission, etc. of documents pursuant to the provisions set forth by the entrusting financial instruments exchange and JPX-R deems that there is strong need for improvement, JPX-R shall require such issuer of the entrusting financial instruments exchange to submit a report stating its particulars and improvement measures.
3. Where JPX-R deems details of the report submitted pursuant to the provision of the preceding two paragraphs to be apparently inadequate, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to require such issuer to change it and re-submit such report.
4. Where an issuer of listed securities does not appropriately make an affirmation and submit documents, etc. in cases where new shares are allotted to a third party pursuant to the provisions set forth by the entrusting financial instruments exchange and JPX-R deems improvement is highly necessary, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to require such issuer to submit a report stating its progress and improvement measures (including whether or not it is necessary to make such report available for public inspection).

5. Where a decision as in each of the preceding paragraphs is made, JPX-R shall notify the entrusting financial instruments exchange of that fact.

### **Rule 32. Designation as Disclosure In Question Security**

1. Where JPX-R deems that an issuer of listed securities is in a state where it does not disclose corporate information immediately pursuant to the provisions set forth by the entrusting financial instruments exchange and JPX-R deems it necessary to make the fact that such fact is not disclosed known to the public, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to designate all or part of the stocks of the listed securities where such issuer is the issuer as a Disclosure In Question Security.
2. Where such fact is disclosed by such issuer, or decision is made that it is appropriate to require the submission of a report as prescribed in Paragraph 1 of the preceding rule, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to cancel the designation as a Disclosure In Question Security.
3. Where a decision as in the preceding two paragraphs is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

### **Rule 33. Public Announcement Measure**

1. Where an issuer of listed securities falls under each of the following items and JPX-R deems it necessary, JPX-R shall decide that it is appropriate for the entrusting financial instruments exchange to make public announcement of such fact.
  - (1) Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc, which are prescribed by the entrusting financial instruments exchange.
  - (2) Where it is deemed that the issuer has violated the provisions concerning the code of corporate conduct.
2. When JPX-R has made decision referred to in the preceding paragraph, it shall notify the entrusting financial instruments exchange of such decision without delay.

### **Rule 34. Imposition of Listing Agreement Violation Penalty**

1. In the event that an issuer of listed securities falls under cases referred to in each of the following items and JPX-R deems that such violation has damaged shareholders' and investors' confidence in the market of the entrusting financial instruments exchange, JPX-R shall decide that it is appropriate that the entrusting financial instruments exchange require the said issuer to pay a listing agreement violation penalty.
  - (1) Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc, which are prescribed by the entrusting

- financial instruments exchange.
- (2) Where it is deemed that the issuer has violated the provisions concerning the code of corporate conduct.
  - (3) Where, in addition to cases in the preceding two paragraphs, it is deemed that the issuer of the listed security has violated rules prescribed by the entrusting financial instruments exchange.
2. When JPX-R has made decision in the preceding paragraph, it shall notify the entrusting financial instruments exchange of such decision without delay.

## **Chapter 8**

### **Examination with respect to Delisting of Financial Instruments, etc.**

#### **Rule 35. Examination with respect to Delisting of Financial Instruments, etc.**

1. JPX-R shall carry out examination as to whether or not financial instruments, etc. listed on the market of the entrusting financial instruments exchange fall under the criteria concerning delisting of financial instruments, etc. as set forth by the entrusting financial instruments exchange.
2. JPX-R shall require an issuer of listed securities to submit materials deemed necessary for the examination referred to in the preceding paragraph or explain facts and prepare written documents stating the details of such explanation.
3. Where JPX-R requires certified public accountants, etc. (including those who used to be such certified public accountants, etc.) who carry out audit explanation, etc. of financial statements, etc. or interim financial statements, etc. to provide explanation of circumstances, etc. by deeming it necessary for examination as in Paragraph 1, JPX-R shall require full co-operation of an issuer of listed securities.
4. Where the result of the examination as in Paragraph 1 is decided, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.

#### **Rule 36. Designation of Listed Security as Security Under Supervision**

1. Where JPX-R deems that a listed security is likely to fall under the criteria concerning delisting of the listed security prescribed by the entrusting financial instruments exchange, it shall decide that it is appropriate for the entrusting financial instruments exchange to designate such listed security as a Security Under Supervision.
2. Where a decision as in the preceding paragraph is made, JPX-R shall notify the entrusting financial instruments exchange of that fact without delay.



## **Chapter 9**

### **Miscellaneous Rules**

#### **Rule 37. Public Announcement**

JPX-R shall publicly announce the state of execution of its operations every year.

#### **Rule 38. Application to Brokerage for Clearing of Securities, etc.**

These Rules shall be applied to brokerage for clearing of securities, etc. with respect to securities trading, etc. by deeming a Trading Participant who entrusts clearing of securities, etc. as a party who carries out such securities trading, etc.

#### **Rule 39. Authority of Revision**

Amendment to these Rules shall be made by resolution of the Board of Governors; provided, however, that this shall not apply to cases where details of the amendment are of minor significance.

#### **Rule 40. Decision of Necessary Matters**

JPX-R may prescribe rules concerning necessary handling with respect to the execution of the self-regulatory operations which it carries out based on entrustment by the entrusting financial instruments exchange, in addition to the matters prescribed in these Rules, when it is necessary to do so.