

## **Enforcement Rules for the Business Regulations**

(as of July 16, 2013)

Japan Exchange Regulation

### **Chapter 1**

#### **Purpose**

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

These Rules prescribe matters decided by Japan Exchange Regulation (hereinafter referred to as "JPX-R") in accordance with the Business Regulations (hereinafter referred to as the "Regulations").

### **Chapter 2**

#### **Inspection**

##### **Rule 2. Inspection**

Inspection as prescribed in Rule 10, Paragraph 1 of the Regulations shall be as prescribed in this Chapter.

##### **Rule 3. Inspector**

Inspection shall be carried out by an inspector appointed by JPX-R from among the employees of JPX-R (hereinafter referred to as an "Inspector"); provided, however, that an assistant may be employed, where JPX-R deems it necessary.

##### **Rule 4. Request of Data, etc.**

Inspectors shall require an officer or employee of Trading Participants to present or allow perusal of its ledgers, documents and other articles, or submission of data or explanation of facts and preparation, etc. of documents stating details of such explanation that are deemed necessary.

##### **Rule 5. Duties of Inspectors**

Inspectors must observe the matters listed in each of the following items.

- (1) All of the Inspection must be carried out on the basis of facts.
- (2) Where acknowledging facts, decisions on disposition and representation of opinions are carried out, inspectors must always be fair.

##### **Rule 6. Notice of Inspection Plans**

JPX-R shall notify Trading Participants in advance of an inspection plan for every fiscal

year.

### **Rule 7. Inspection Method and Timing**

1. Inspection shall be carried out by visiting the head office, other sales office or the principal office and other office (hereinafter referred to as an "outlet") of a Trading Participant; provided, however, that it shall be carried out by documents submitted by such Trading Participant to JPX-R, where JPX-R deems it necessary.
2. JPX-R shall carry out the inspection in the preceding paragraph upon a Trading Participant whenever JPX-R deems it necessary.

### **Rule 8. Notice of Inspection**

Where JPX-R carries out inspection by visiting outlets of a Trading Participant, JPX-R shall notify such Trading Participant of the commencement day and the inspection method, the name of the Inspector and any other necessary matters; provided, however, that the same shall not apply where JPX-R deems it unnecessary.

### **Rule 9. Presentation of Inspector Identification Card**

An Inspector shall present his or her inspector identification card upon the commencement of inspection work.

### **Rule 10. Acknowledging Facts**

Acknowledging facts as prescribed in Rule 5, Item (2) shall be as prescribed in each of the following items.

- (1) Where an Inspector has acknowledged facts, and where there is a difference in the recognition concerning such fact acknowledgement between said Inspector and the Trading Participant, JPX-R shall receive a written appeal from said Trading Participant.
- (2) Where JPX-R receives a written appeal as described in the preceding item, it shall carry out proceedings of determining such relationship of fact in a fair manner.
- (3) Where JPX-R has carried out the proceedings as in the preceding item, it shall require the Trading Participant and the Inspector to submit a report or data which will be references for carrying out a fact finding or a hearing, when necessary.
- (4) Where JPX-R decides the results of the proceedings in Item (2), it shall notify such Trading Participant of that fact without delay.

### **Rule 11. Notice of Inspection Results**

Where inspection is completed, JPX-R shall notify the Trading Participant of the results of the inspection.

### **Rule 12. Cooperative Inspection, etc.**

1. JPX-R shall carry out cooperative inspection with Japan Securities Dealers Association or the Financial Futures Association of Japan, where JPX-R deems it necessary.
2. Where a Trading Participant is a member or a trading participant of another financial instruments exchange in Japan other than the entrusting financial instruments exchange and JPX-R deems it necessary, JPX-R shall carry out joint inspection with such financial instruments exchange.

## **Chapter 3**

### **Stocks Under Trading Supervision**

### **Rule 13. Report on Transaction Details, etc. Pertaining to Stocks Under Trading Supervision**

Reports that JPX-R requires a Trading Participant pursuant to the provisions of Rule 19, Paragraph 2 of the Regulations shall be in accordance with each of the following items.

- (1) JPX-R shall require a report to be submitted in a method prescribed by JPX-R concerning transaction details, etc. for a period deemed necessary by JPX-R before the day on which designation as a stock under trading supervision is made, by Friday (where it falls under a holiday, it shall be moved later. The same shall apply to the next item) in a week following the week of the day on which such report is required by JPX-R.
- (2) JPX-R shall require a report to be submitted in a method prescribed by JPX-R concerning transaction details, etc. for the period from the day of designation as a stock under trading supervision to when cancellation of the designation under the provisions of the following rule is made, by Friday in the week of the day on which such transaction, etc. is affected.

### **Rule 14. Removal of Designation of Stock Under Trading Supervision**

The case that JPX-R prescribes in Rule 19, Paragraph 3 of the Regulations is where an amendment report stating that the holding ratio of the share certificates, etc. has fallen below 5% is submitted by a person, who has purchased and collected a considerable number of share certificates, etc. issued by the issuer of the share certificates of a stock under trading supervision and where JPX-R deems it unnecessary in consideration of the movement of the price and other state of transactions, etc. of the stock under trading supervision.

### **Supplementary Provisions**

These Enforcement Rules for the Business Regulations shall be implemented on November 1, 2007.

### **Supplementary Provisions**

These revisions shall take effect on July 16, 2013.