

**Brokerage Agreement Standards**  
(as of January 4, 2024)

Tokyo Stock Exchange, Inc.

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**CHAPTER 1**

**GENERAL PROVISIONS**

**Rule 1. Purpose**

1. Agreements pertaining to acceptance of orders for securities trading (except brokerage for clearing of securities, etc.) in the financial instruments exchange market established by Tokyo Stock Exchange, Inc. (hereinafter referred to as the "Exchange") shall be as specified in these standards.
2. Amendments to these standards shall be made by resolution of the Board of Directors, except for minor amendments.

**Rule 2. Duty to Comply with Standards**

Customers and trading participants shall peruse these standards and agree to comply therewith

in executing all transactions.

### **Rule 2-2. Securities**

In these standards (including their special regulations, and rules based on these Rules; provided, however, that Chapter 3, Section 3-2 shall be excluded), stocks and other securities mean stocks and other securities as prescribed in Article 2, Paragraph 1 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act") and rights deemed to be such stocks and other securities pursuant to the provisions as prescribed in Paragraph 2 of the same rule.

## **CHAPTER 2**

### **CONDITIONS, ETC. OF ACCEPTANCE OF ORDERS OF SECURITIES TRADING**

#### **Rule 3. Notification Matters of Customers**

A customer who entrusts securities trading with a trading participant shall notify such trading participant of information referred to in each of the following items:

- (1) Personal or corporate name;
- (2) Address or office location;
- (3) Name of the place designated to receive communications, if such place has been designated; and
- (4) In cases where an agent has been appointed, the personal or corporate name and the address or office location thereof and the scope of powers assigned thereto.

#### **Rule 3-2. Delivery of Agreement for Establishment of Foreign Securities Trading Accounts, etc.**

1. A trading participant shall, when it intends to establish for a customer an account prescribed in the text of Rule 27, Paragraph 2 upon acceptance of an order from such customer to buy or sell a foreign stock, etc. (meaning a foreign stock, etc. prescribed in Rule 28; the same shall apply in Rules 26, 27 and 40.) or a foreign subscription warrant security, etc. (meaning a foreign subscription warrant security, etc. prescribed in Rule 28; the same shall apply in Rules 26 and 27), deliver to such customer the Agreement Concerning Foreign Securities Trading Account prescribed by the trading participant and receive an application form from such customer which states to the effect that such customer wishes to establish an account pursuant to such agreement.
2. A trading participant shall specify the details as prescribed in Rule 28-5, Rule 30-2 through Rule 30-10 in the Agreement for Establishment of Foreign Securities Trading Accounts in the preceding paragraph.
3. When a trading participant informs a customer of the type and details of electromagnetic means (see Note 1 below) to be used and obtains the approval of such customer in writing or by the electromagnetic means, said trading participant may provide such customer with the matters to be stated in the Agreement Concerning Foreign Securities Trading Account as prescribed in Paragraph 1 by such electromagnetic means instead of delivering the written such agreement. In this case, such trading participant is deemed to have delivered such agreement to said customer.

(Note 1) The term "electromagnetic means" shall mean the method using information communication technologies such as an electromagnetic data processing system which is the same method as specified in Article 56 of the Cabinet Office Ordinance on Financial Instruments Exchange Business, etc. (Cabinet Office Ordinance No.52 of 2007); the same shall apply in this paragraph and Paragraph 6.

4. Where a trading participant informs a customer of the type and details of electromagnetic means (see Note 2 below) to be used and obtains the approval of such customer in writing or by the electromagnetic means, or where a method specified by the trading participant allows said trading participant to confirm the intent of the customer to apply for opening an account in accordance with the Agreement Concerning Foreign Securities Trading Account, which should be stated in the application form, said trading participant may receive an application that should be made using such application form from said customer by such electromagnetic means or such method specified by such trading participant, instead of receiving an application form as prescribed in Paragraph 1. In this case, such trading participant is deemed to have received said agreement from such customer.

(Note 2) The term "electromagnetic means" shall mean a method using information communication technologies such as an electromagnetic data processing system which is the same method as specified in Article 57-3 of the Cabinet Office Ordinance on Financial Instruments Exchange Business, etc.; the same shall apply in this paragraph.

5. A trading participant who has obtained an approval pursuant to the provisions of Paragraph 3 or the preceding paragraph shall not, when it has received a notice from the customer either in writing or by electromagnetic means of such customer's intention not to accept provisions or make an application by electromagnetic means, provide such customer with the matters to be stated in such agreement or receive an application from such customer; provided, however, that the same shall not apply, where such customer has again given an approval pursuant to the provisions of Paragraph 3 or the preceding paragraph.
6. Where, when opening a customer's account as specified in Paragraph 1, a trading participant has already delivered the Agreement Concerning Foreign Securities Trading Account in Paragraph 1 to the customer or provided items that should be included in said agreement to the customer by the electromagnetic means (Note 3), if the customer does not request delivery of such agreement again, notwithstanding the provisions of the same paragraph, the trading participant shall not be required to deliver such agreement.

(Note 3) This shall be limited to cases where the trading participant informs the customer of the type and details of the electromagnetic means to be used and such trading participant obtains approval from the customer in writing or by electromagnetic means.

7. Where a trading participant has received an application form for establishing an account from a customer pursuant to the provisions of Paragraph 1 (including cases where the trading participant is deemed to have received an application form pursuant to the provisions of Paragraph 4), and has accepted such application, the trading participant shall establish such an account and shall notify such customer to that effect.

#### **Rule 4. Submission of Agreement on Entrustment of When-Issued Transactions**

1. Where a customer intends to entrust a trading participant with a sale or a purchase in a when-issued transaction, such customer shall complete the prescribed matters in a written agreement concerning an entrustment of a when-issued transaction in the form specified by the Exchange and shall put said customer's signature and/or seal thereon and submit it to the trading participant.
2. When a customer has been informed by the trading participant of the type and details of the electromagnetic means (see Note below) that the trading participant will use and approved it to the trading participant in writing or by electromagnetic means, said customer may notify the trading participant of a fact that the customer has approved the content of such agreement by electromagnetic means instead of submission of a written agreement as prescribed in the preceding paragraph. In this case, such customer is deemed to have submitted such agreement to said trading participant.

(Note) The term "electromagnetic means" shall mean the method using information communication technologies such as an electromagnetic data processing system which is the same method as specified in Article 57-3 of the Cabinet Office Ordinance on Financial Instruments Exchange Business, etc.; the same shall apply hereinafter.

3. A trading participant who has obtained an approval in writing or by electromagnetic means pursuant to the provisions of the preceding paragraph shall not, when it has received a notice from a customer either in writing or by electromagnetic means of said customer's intention not to make notification by electromagnetic means, receive notification as prescribed in the preceding paragraph from such customer by electromagnetic means; provided, however, that the same shall not apply, in cases where such customer has again given such approval.

#### **Rule 5. Submission of Written Agreement for Establishment of Margin Transaction Accounts**

1. When a customer intends to establish a margin transaction account upon entrustment of securities trading, such customer shall make an application to a trading participant, and shall obtain its approval.
2. When a customer has obtained the approval of a trading participant concerning an application as described in the preceding paragraph, the customer shall complete the prescribed matters in the written agreement for establishment of a margin transaction account in the form specified by the Exchange, put the customer's signature and/or seal thereon and submit it to the trading participant. In this case, if the customer uses the English version of such agreement, such customer shall obtain the consent of the trading participant.
3. The provisions of Paragraphs 2 and 3 of the preceding rule shall apply mutatis mutandis to submission of a written agreement pursuant to the provisions of the preceding paragraph.

#### **Rule 6. Instruction Matters at Time of Entrustment**

A customer shall give instructions referred to in each of the following items to the trading participant each time the customer entrusts security trading (excluding entrustment of securities trading as prescribed in the following rule):

- (1) Type of transaction;
- (2) Name of an issue;
- (3) Whether it is a sale or a purchase;
- (4) Quantity;

- (5) Limit of the price;
  - (6) Trading session to conduct a sale or a purchase;
  - (7) Effective period of an order;
  - (8) If it is a short sale, instruction to that effect, except a transaction prescribed in Article 11, Paragraph 1 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. (Cabinet Office Ordinance No.59 of 2007; hereinafter referred to as the "Cabinet Office Ordinance on Transaction Restrictions");
  - (9) If it is a margin transaction, instruction to that effect;
  - (10) If it is a transaction for the repayment or return of purchase consideration or a security to sell for which a loan is made through a margin transaction, instruction to that effect;
  - (11) If a customer is an agent that has agreed to provide its agency services for its customer's margin transaction (meaning the customer, if a customer who has entrusted a securities trading to a trading participant is a financial instruments firm, and such entrustment is pertaining to securities trading through an agent; the same shall apply hereinafter), instruction to that effect;
  - (12) If a customer is an agent that has agreed to provide its agency services for its customer's entrustment to conduct a sale or a purchase pertaining to the satisfaction of purchase consideration or a security to sell for which a loan is made through a margin transaction, instruction to that effect; and
  - (13) If such entrustment is one pertaining to low latency trading (meaning low latency trading prescribed in Article 2, Paragraph 41 of the Act; the same shall apply hereinafter), instruction to that effect.
2. If a customer who has a margin transaction account does not give instruction concerning an order placement of securities trading as specified in Item (9) of the preceding paragraph, such sale or purchase shall not be made as a margin transaction.
  3. A customer shall give the trading participant instruction on whether such sale or purchase will be made as a standardized margin transaction or negotiable margin transaction when such customer entrusts an order to sell or purchase on margin.
  4. If a customer entrusts an order for a short sale on margin which is instructed as specified in Paragraph 1, Item (8), the customer shall give instruction to a trading participant as to whether it is a transaction as prescribed in each item of Article 15, Paragraph 1 of the Cabinet Office Ordinance on Transaction Restrictions.
  5. When a customer entrusts securities trading pertaining to low latency trading, the customer shall give the trading participant, for each instance, instruction on the trading strategy specified separately by the Exchange.

#### **Rule 7. Instruction Matters at Time of Entrustment of Trading in Government Bonds**

A customer shall give instruction on the matters referred to in Paragraph 1, Items (2) to (7) of the preceding rule to a trading participant each time the customer entrusts a transaction in government bonds.

#### **Rule 8. Effectiveness of Customer's Orders at Time of Resumption of Trading**

A customer's order shall remain effective for the effective period of such an order, for which instruction has been made by the customer, as prescribed in the provisions of the preceding two (2) rules, and even in the event that the Exchange halts securities trading (including cases where the Exchange has canceled the validity of a bid/offer pertaining to said customer's order); provided, however, that the same shall not apply if the trading participant and the customer have made a prior arrangement that the order is canceled in such an event, or the customer has given

such an instruction.

**Rule 9. Handling of Customer's Order Where the Exchange has Cancelled Validity of Bid/Offer pertaining to Customer's Order**

When the Exchange has canceled the validity of a bid/offer pertaining to a customer's order, a trading participant shall resubmit a bid/offer pertaining to said order; provided, however, that the same shall not apply in cases where the trading participant and the customer have made a prior arrangement that differs from the above, the customer has given an instruction, or the customer's order has become invalid.

**Rule 9-2. Notification of Trade Details from the Exchange**

A customer shall entrust trading of securities to a trading participant with an understanding that the Exchange notifies the trading participant of the details of a trade executed at the Exchange pursuant to the provisions of Rule 24, Paragraph 1 of the Business Regulations, and that if there is a delay in, absence of, or other deficiency in said notification, the Exchange will renotify the trading participant of the details of the trade executed pursuant to the provisions of Paragraph 3 of the same rule.

**CHAPTE 3**

**DELIVERY/PAYMENT AND OTHER SETTLEMENT METHODS, ETC.**

**SECTION 1**

**DELIVERY/PAYMENT CUTOFF TIME, ETC.**

**Rule 10. Delivery/Payment Cutoff Time of Customers in Cash Transactions**

A customer shall deliver to a trading participant a security to sell or purchase consideration with respect to the entrustment of securities trading pertaining to a cash transaction by the cutoff time on the date on which a transaction is effected (the following date, when the trading participant and the customer agree) that is specified by the agreement between the trading participant and the customer.

**Rule 11. Delivery/Payment Cutoff Time of Customers in Regular Transactions**

1. A customer shall deliver to a trading participant a security to sell or purchase consideration with respect to entrustment of securities trading pertaining to a regular transaction (including off-auction distribution; the same shall apply in the next paragraph) by 9:00 a.m. on the third day (excluding non-business days of the Exchange; the same shall apply hereinafter in the calculation of the number of days) counting from the date on which the transaction is effected.
2. Notwithstanding the preceding paragraph, a customer shall deliver to a trading participant a security to sell or purchase consideration with respect to a regular transaction effected on the date referred to in each of the following items by 9:00 a.m. on the fourth day counting from the date on which such transaction is effected:
  - (1) With respect to equity contribution securities (meaning securities referred to in Article 2, Paragraph 1, Item (6); the same shall apply hereinafter), an ex-dividend date or ex-right date specified by the Exchange
  - (2) A date specified by the Exchange as a date on which a transaction is effected on new

exercise terms with respect to a convertible bond (see Note 1 below), and a date specified by the Exchange as a date on which a transaction is effected on new exchangeable terms with respect to an exchangeable corporate bond (see Note 3 below);

(Note 1) The term a "convertible bond" shall mean a corporate bond with subscription warrants whose object for equity contribution made at the time of exercising a subscription warrant is a corporate bond pertaining to said corporate bond with subscription warrants; the same shall apply hereinafter.

(Note 2) The term an "exchangeable corporate bond" shall mean an exchangeable corporate bond which has the characteristics of a security specified in Item (5) of Paragraph 1 of Article 2 of the Act, out of the securities referred to in Item (5) of the same paragraph or the securities referred to in Item (17) of the same paragraph (referred to as a "corporate bond" in this item), and, furthermore, which is redeemed for a stock of a specified company other than the issuer at the request of a holder of the corporate bond; the same shall apply hereinafter.

(3) A date specified by the Exchange as an ex-rights date pertaining to a right to claim redemption before maturity with respect to a convertible bond and an exchangeable corporate bond with the right to claim redemption before maturity;

(4) Regarding interest-bearing bonds (excluding Japanese government bonds and convertible bonds which Japan Securities Depository Center, Inc. (hereinafter "JASDEC") does not handle in its book-entry transfer operation (hereinafter referred to as "JASDEC non-eligible convertible bonds")), a day which is three (3) days (excluding non-business days of the Exchange; hereinafter the same shall apply in the calculation of the number of days) prior to the interest payment date of such convertible bonds (if the interest payment date falls on a bank holiday or a holiday in a foreign country specified in the issuance terms of said issue and interest is paid before the interest payment date, the date on which such interest is paid; the same shall apply hereinafter).

3. Notwithstanding the provisions of the preceding paragraph, if a day (if it falls on a non-business day of the Exchange, it shall be moved up in order; the same shall apply hereinafter except for Rule 42) preceding a day referred to in each of the following items falls on a day preceding an interest payment date in regular transactions in convertible bonds (excluding JASDEC non-eligible convertible bonds) and interest-bearing exchangeable corporate bonds, a customer shall deliver to a trading participant a security to sell or purchase consideration by 9:00 a.m. on the fifth day counting from the date on which a transaction is effected in the case of a transaction on the date specified in Item (2) or Item (3) of the same paragraph, and by 9:00 a.m. on the fourth day counting from the date on which a transaction is effected in the case of a transaction on the day (to be moved down in order if it falls on a non-business day of the Exchange; hereinafter the same) following such date:

(1) A date prior to the day on which exercise terms specified by the issuer of a convertible bond are altered and exchange terms specified by the issuer of an exchangeable corporate bond are altered; and

(2) The final date of a period to claim redemption before maturity (if it falls on a non-business day of the Exchange, it shall be moved up in order.)

4. Notwithstanding the provisions of Paragraph 2, if a day following a day referred to in each of the following items falls on a day prior to an interest payment date in regular transactions of interest-bearing convertible bonds (excluding JASDEC non-eligible convertible bonds) and interest-bearing exchangeable corporate bonds, a customer shall deliver to a trading

participant a security to sell or purchase consideration by 9:00 a.m. on the fifth day counting from a date on which a transaction is effected in the case of a transaction on the day specified in Item (2) or Item (3) of Paragraph 2.

5. Notwithstanding the provisions of each of the preceding paragraphs, in the case that a trading participant separately designates a day and time by or before the settlement cutoff time as specified by Japan Securities Clearing Corporation, Inc. (hereinafter referred to as the "Clearing Corporation") upon acceptance of an order, a customer shall deliver to a trading participant a security to sell or purchase consideration by said day and time.

Rule 12. Deleted.

### **Rule 13. Delivery/Payment Cutoff Time of When-Issued Transactions by Customers**

1. A customer shall deliver to a trading participant a security to sell or purchase consideration by 9:00 a.m. on a settlement date specified by the Exchange with respect to entrustment of securities trading pertaining to a when-issued transaction.
2. Notwithstanding the provisions of the preceding paragraph, in the case that a trading participant separately designates a day and time before the settlement cutoff time specified by the Clearing Corporation upon acceptance of an order, a customer shall deliver to the trading participant a security to sell or purchase consideration by said day and time.

### **Rule 14. Delivery/Payment Cutoff Time of Customers for Transactions in Government Bonds**

A customer shall deliver to a trading participant a government bond to sell or purchase consideration by the day and time designated by the trading participant who deems it necessary to make settlement of a sale or a purchase of such government bond with respect to entrustment of a sale or a purchase of such government bond.

### **Rule 15. Delivery of Customers in the Case of Using DVP Settlement**

1. In cases where DVP settlement as prescribed in the Method of Conducting Business of JASDEC DVP Clearing Corporation (hereinafter referred to as "JDCC") is used in agreement between a customer and a trading participant pertaining to entrustment of securities trading pertaining to cash transactions, regular transactions (including off-auction distribution; the same shall apply hereinafter) or when-issued transactions, a customer shall deliver the security or pay funds to JDCC by the settlement cutoff time specified by JDCC of a day specified by Rule 10, Rule 11, Paragraphs 1 through 4 or Rule 13, Paragraph 1, respectively (in cases of delivery of a security pertaining to regular transactions or when-issued transactions, by a day and time before the settlement cutoff time designated by the trading participant at the time of the agreement and specified by Clearing Corporation).
2. In cases that a customer has delivered the security or has paid funds under the provisions of the preceding paragraph, such delivery of the security or payment of funds shall be deemed to be the delivery of the security to sell or the delivery of the purchase consideration in Rule 10, Rule 11, Paragraphs 1 through 4, or Rule 13, Paragraph 1.

### **Rule 16. Pro-Rata Computation of Interest**

At the time of conducting a transaction in interest-bearing bonds (excluding convertible bonds and exchangeable corporate bonds), interest-bearing convertible bonds and interest-bearing exchangeable corporate bonds, computation shall be made as to an amount obtained by multiplying the total amount of the face value by an interest rate of the security (hereinafter



referred to as an "interest") divided by the number of days applied, and an amount corresponding to a period to the settlement date of that transaction (hereinafter referred to as an "accrued interest") shall be added to trading value, which will then be delivered or received, respectively; provided, however, that if the settlement date of that transaction falls on an interest payment date of such security, no accrued interest shall be added to trading value. In this case, a customer who sells an interest-bearing convertible bond shall not deliver the coupon.

**Rule 17. Measures to Take in the Case of Delivery Vouchers of Securities Being Received**

A trading participant may, postpone delivering the security purchased to the customer at the time of the settlement pertaining to a purchase of the security based on entrustment, if it has been delivered a delivery voucher of a security for the security purchased and the approval of the customer who purchased the security is obtained.

Rules 18 and 19. Deleted.

## **SECTION 2**

### **MATTERS CONCERNING SECURITIES ELIGIBLE FOR SETTLEMENT**

**Rule 20. Securities to be Delivered**

1. Securities to be delivered for settlement by a customer who has entrusted the sale of equity contribution securities to a trading participant shall satisfy the conditions specified in either of the following items:
  - (1) Equity contribution securities of the same trading unit; or
  - (2) In the case where the customer delivers equity contribution securities of units less than the trading unit, the sum of the units of such equity contribution securities is an integral multiple of the trading unit.
2. Notwithstanding the provisions of Item (2) of the preceding paragraph, a customer may deliver equity contribution securities in a non-integer multiple of the trading unit, provided that the trading participant agrees to such an arrangement at the time of accepting entrustment of the transaction.

Rule 21. Deleted.

**Rule 22. Treatment of Old and New Stocks at Time of Consolidation**

1. In cases where rights and obligations pertaining to old and new stocks have become identical and both stocks have been consolidated for trading, such old and new stocks shall be treated equally as deliverable for settlement to be effected on and after the commencement day of such trading.
2. Notwithstanding the provisions of the preceding paragraph, old stocks may not be substituted for new stocks for settlement of when-issued transactions.

Rules 23 to 25. Deleted.

## **SECTION 3**

## **DELIVERY BY BOOK-ENTRY TRANSFER, ETC.**

### **Rule 26. Application of Rules of Japan Securities Depository Center, Inc., etc.**

1. An agreement concerning acceptance of an order pertaining to a transaction in a domestic stock (meaning stocks issued by domestic corporations, preferred equity investment securities (meaning those issued by cooperative structured financial institutions; hereinafter the same), an investment trust beneficiary certificate (meaning beneficiary certificates of investment trusts; hereinafter the same), and investment securities; hereinafter the same), a subscription warrant security issued by a domestic corporation, a new investment unit subscription warrant security, a beneficiary certificate of a beneficiary certificate issuing trust, or a convertible bond (excluding JASDEC non-eligible convertible bonds) shall be subject to an agreement entered into by and between a trading participant and a customer in accordance with the Business Regulations Concerning Book-Entry Transfer of Stocks, etc. as prescribed by JASDEC in addition to the provisions of these standards.
2. An agreement concerning acceptance of an order pertaining to a transaction in a foreign stock, etc. or a foreign subscription warrant security, etc. shall be subject to an agreement entered into by and between a trading participant and a customer in accordance with the Rules Concerning Custody and Book-Entry Transfer Settlement of Foreign Stocks, etc. prescribed by JASDEC, in addition to the provisions of these standards.
3. An agreement concerning acceptance of an order pertaining to a transaction in a bond (excluding government bonds and convertible bonds) shall be subject to an agreement entered into by and between a trading participant and a customer in accordance with the Business Regulations Concerning Corporate Bonds, etc. specified by JASDEC, in addition to the provisions of these standards.
4. An agreement concerning acceptance of an order pertaining to a transaction in a government bond shall be subject to an agreement entered into by and between a trading participant and a customer in accordance with Bank of Japan Regulations concerning the JGB Book-Entry System set forth by the Bank of Japan, in addition to the provisions of these standards.

### **Rule 27. Delivery by Book-Entry Transfer**

1. In cases where a trading participant is entrusted by a customer with a transaction in a domestic stock, a subscription warrant security issued by a domestic corporation, a new investment unit subscription warrant security, a bond (excluding Japanese government bonds and JASDEC non-eligible convertible bonds), or a beneficiary certificate of a beneficiary certificate issuing trust, the trading participant shall establish an account under the Act Concerning Corporate Bonds, Stocks, Etc. (Act No. 75 of 2001; hereinafter referred to as the "Book-Entry Transfer Act") for such customer, delivery of a security pertaining to a sale or a purchase shall be conducted by book-entry transfer through that account; provided, however, that the same shall not apply, if the trading participant delivers a security by the book-entry transfer through another account of the customer in accordance with the Book-Entry Transfer Act.
2. A trading participant shall, establish an account for such customer, in accordance with the Rules Concerning Custody and Book-Entry Transfer of Foreign Stocks specified by JASDEC and shall deliver a security pertaining to a sale or a purchase by book-entry transfer through that account if it falls a case referred to in each of the following items; provided, however, that the same shall not apply in cases where delivery of a security is made by book-entry transfer through another account of the customer under the Business Regulations for Foreign

Stocks Certificates, etc. set forth by JASDEC.

- (1) In cases where a trading participant is entrusted with a transaction in a foreign stock, etc. or a foreign subscription warrant security, etc. (excluding cases where entrustment is made for a transaction pertaining to margin transactions and for a transaction pertaining to the satisfaction of purchase consideration or a security to sell, which is loaned through a margin transaction);
  - (2) In cases where a trading participant is notified by a customer of the satisfaction of a loan for purchase consideration through a margin transaction pertaining to a foreign stock, etc. (limited to cases where delivery of such foreign stock, etc. is made to a customer along with such satisfaction.).
3. When a trading participant is entrusted by a customer with a transaction in a government bond, it shall establish an account in accordance with the Book-Entry Transfer Act for such customer, and shall deliver the government bond pertaining to a sale or a purchase by book-entry transfer through that account; provided, however, that the same shall not apply, in cases where delivery of a security is made by book-entry transfer through another account of a customer in accordance with the Book-Entry Transfer Act.

## SECTION 3-2

### FOREIGN SECURITIES TRADING ACCOUNT

#### Rule 28. Definitions

The meanings of the terminology referred to in each of the following items in this section shall be as specified in each such item:

- (1) Foreign stocks, etc. mean securities or instruments issued by foreign corporations that have characteristics of stocks;
- (2) Foreign investment trust beneficiary certificates mean beneficiary certificates of foreign investment trusts as prescribed in the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951; hereinafter referred to as "Investment Trust Act");
- (3) Foreign investment securities mean foreign investment securities as prescribed in Investment Trust Act;
- (4) Foreign stock depositary receipts mean depositary receipts representing rights pertaining to foreign stocks, etc.;
- (5) Beneficiary certificates of foreign beneficiary certificate issuing trusts mean securities or instruments issued by foreign corporations that have characteristics of beneficiary certificates of beneficiary certificates issuing trusts;
- (6) Foreign investment trust beneficiary certificates, etc. mean rights that should be represented by securities for which treatment that certificates for rights that should be represented by such securities will not be issued is permitted under the governing law on beneficiary certificates of a foreign investment trust issuing trust and the issuance of beneficiary certificates of a foreign investment trust issuing trust and, in addition, certificates are not actually issued;
- (7) Foreign investment securities, etc. mean rights that should be represented by securities for which treatment that certificates for rights that should be represented by such securities will not be issued is permitted under the governing law on foreign investment securities and issuance of foreign investment securities and, in addition, their certificates are not actually issued;

- (8) Beneficiary certificates of a foreign beneficiary certificate issuing trust, etc. mean rights that should be represented by securities, for which treatment that certificates for rights that should be represented by such securities will not be issued is permitted under the governing law on the beneficiary certificates of a foreign beneficiary certificate issuing trust and the issuance of beneficiary certificates of a foreign beneficiary certificate issuing trust and, in addition, certificates are not actually issued;
- (9) Foreign equities, etc. mean rights that should be represented by securities, for which treatment that certificates for rights that should be represented by such securities will not be issued is permitted under the governing law on the issue of foreign stocks, foreign investment trust beneficiary certificates, foreign investment securities, and beneficiary certificates of a foreign beneficiary certificates issuing trust and, in addition, certificates are not actually issued;
- (10) Foreign stocks, etc. mean foreign stocks, foreign investment trust beneficiary certificates, foreign stock depositary receipts, beneficiary certificates of foreign beneficiary certificates issuing trusts and foreign equities, etc.;
- (11) Foreign subscription warrant securities mean securities or instruments issued by foreign corporations that have characteristics of subscription warrant securities;
- (12) Foreign subscription warrant securities mean rights that should be represented by such securities, for which treatment that certificates for rights that should be represented by such securities will not be issued is permitted under the governing law on the issue of foreign subscription warrant securities and, in addition, certificates are not actually issued;
- (13) Foreign subscription warrant securities, etc. mean foreign subscription warrant securities and foreign subscription warrants; and
- (14) Foreign securities mean foreign stocks, etc. and foreign subscription warrant securities, etc.

#### **Rule 28-2. Foreign Securities Trading Accounts**

If a customer has established a foreign securities trading account with a trading participant, such customer shall conduct transactions entrusted for foreign securities in accordance with the provisions of this section with respect to transactions conducted at an exchange of foreign securities or any other transactions (excluding transactions pertaining margin transactions and transactions pertaining to the satisfaction of purchase consideration or securities to sell for which a loan is made through a margin transaction; hereinafter referred to as a "transaction entrusted" in this section).

#### **Rule 28-3. Handling Through Foreign Securities Trading Accounts**

With respect to transactions entrusted for foreign securities conducted between a customer and a trading participant, execution of transactions, settlements for sale proceeds and purchase consideration, safekeeping of securities and all other matters including delivery and receipts of money concerning transactions entrusted in foreign securities, etc. shall be dealt with through foreign securities trading accounts.

#### **Rule 28-4. Matters to Comply with Concerning Foreign Securities Trading**

A customer shall comply with articles and clauses relating to foreign securities trading, out of various laws and regulations in Japan, various rules prescribed by the Exchange and JASDEC (hereinafter referred to as the "settlement company" in this section), decided matters and practices/customs, and when a trading participant provides guidance concerning various laws and regulations and practices/customs, etc. in the nation or the region (hereinafter referred to as

the "nation, etc." in this section) in which an issuer of a foreign security (meaning a depository institution pertaining to depository receipts, in cases of foreign stock depository receipts; the same shall apply hereinafter in this section.) is located, a customer shall comply with the guidance.

#### **Rule 28-5. Custody in Mixed Form, etc. of Foreign Securities**

1. A customer shall deposit foreign securities, which such customer deposits with a trading participant (excluding foreign equities, etc. and foreign subscription warrants; hereinafter referred to as "deposited securities" in this section), under an agreement for custody in mixed form. The trading participant shall appropriately manage foreign equities, etc. and foreign subscription warrants which record or state quantities that a customer owns in its customer account equipped by the trading participant (hereinafter referred to as "book-entry transfer securities" in this section), in accordance with articles and clauses relating to foreign securities trading, out of various laws and regulations, various rules prescribed by the settlement company, decided matters and practice & customs, and the characteristics of the rights owned by a customer.
2. Deposited securities shall be deposited with the settlement company in mixed form in the name of a trading participant, and if the deposited securities are in a registered form, the settlement company shall change the name of such deposited securities to the name designated by the settlement company. The quantity of such deposited securities stated or recorded in an account of a trading participant with the local custodian institution prescribed in the next page shall be transferred to an account of the settlement company with such local custodian institution, and such quantities shall be stated or recorded.
3. Deposited securities deposited in mixed form or book-entry transfer securities transferred to an account of the settlement company (hereinafter referred to as "deposited securities, etc.") as specified in the preceding paragraph shall be kept in custody or managed by a custodian institution in the nation, etc. in which the issuer of such deposited securities, etc. is located or in the nation, etc. deemed appropriate by the settlement company (hereinafter referred to as the "local custodian institution" in this section), in accordance with the various laws and regulations, and practice & customs in the nation, etc. in which the local custodian institution is located, and various rules of the local custodian institution, etc.
4. A customer shall pay to a trading participant each time when actual expenses that a trading participant has required for custody or record or statement as specified in Paragraph 1 have been incurred, excluding cases where a customer deposits foreign securities with a trading participant in a nation, etc. in which the local custodian institution is located.

#### **Rule 29. Co-Ownership Rights, etc. Pertaining to Deposited Securities**

1. A customer who has deposited a foreign security with a trading participant shall acquire the rights of co-ownership with respect to such foreign security and the foreign securities of the same issue that other customers have deposited with such trading participant, as well as the foreign securities of the same issue that such trading participant has deposited with the settlement company and has been kept in custody in mixed form by the settlement company. A customer, for whom a foreign stock, etc. is stated or recorded in an account of a trading participant with a local custodian institution, shall acquire rights which will be given to such customer under the governing law to be applied on a pro-rata basis to the quantity stated or recorded in the account of the settlement company with such local custodian institution.
2. The co-ownership rights of a customer pertaining to a deposited security shall be transferred when a trading participant records the book-entry quantity in the account of the customer.

The rights of the customer pertaining to the book-entry transfer security shall be transferred when the trading participant states or records the book-entry quantity in the account of the customer.

**Rule 30. Notice, etc. of Delivery of Deposited Securities, etc.**

1. When a customer wishes for delivery of a deposited security, etc. (including book-entry transfer of deposited security, etc. to an account designated by a customer), such customer shall notify a trading participant to that effect.
2. When a trading participant is notified of delivery of a deposited security by a customer, it shall return a foreign security of the same issue as that of the deposited security. In this case, it is not necessary to negotiate with any other person who has the co-ownership of such foreign security.

**Rule 30-2. Sale or Delivery of Deposited Securities, etc. at Financial Instruments Markets, etc. in Nations, etc. Other Than Japan**

1. In cases where a customer sells a deposited security, etc. in a financial instruments market, etc. in a nation, etc. other than Japan or where a customer wishes to receive delivery of a deposited security, etc., a trading participant shall transfer such deposited security, etc. for custody from a local custodian institution to a trading participant or a custodian institution designated by the trading participant, or shall sell or deliver, etc. such deposited security to a customer after transferring it to an account designated by the trading participant.
2. A customer shall pay actual expenses that a trading participant has required for delivery, etc. in the preceding paragraph to the trading participant on a case-by-case basis.

**Rule 30-3. Measures to be Taken in Cases of Delisting**

In cases where a deposited security, etc. is delisted from the Exchange, a trading participant shall transfer such deposited security, etc. in custody from a local custodian institution to the trading participant or a custodian institution designated by the trading participant or shall transfer to an account designated by the trading participant after the date of delisting.

**Rule 30-4. Handling of Dividends, etc.**

1. The handling of dividends (including distribution from profits of foreign investment trust beneficiary certificates, etc., distribution of money of foreign investment securities, etc. and benefits pertaining to trust assets of beneficiary certificates of foreign beneficiary certificates issuing trusts, etc.; the same shall apply hereinafter in this section.), etc. of deposited securities, etc. shall be pursuant to the provisions in each of the following items:
  - (1) If it is a monetary dividend, the settlement company shall receive it and shall pay it to a customer through a dividend-payment-handling bank (in cases of foreign investment trust beneficiary certificates, etc., foreign investment securities, etc. and beneficiary certificates of foreign beneficiary certificates issuing trusts, a distribution money-payment-handling bank; the same shall apply hereinafter in this rule);
  - (2) If it is a stock dividend (including stock split, gratis allotment, etc. where withholding tax (including any charges due in a nation, etc. where the issuer of a deposited security, etc. is located; the same shall apply hereinafter in this section.) is charged, and including that that has the same characteristics as stock split, gratis allotment, etc. pertaining to foreign investment trust beneficiary certificates, etc., foreign investment securities, etc., foreign stock depositary receipts and beneficiary certificates of a foreign beneficiary certificates issuing trust; the same shall apply hereinafter in this section), it shall be

handled in accordance with the classification specified in the following sub-items, and pursuant to the provisions in the following sub-items:

- a. In cases other than cases where the settlement company deems the main market of a deposited security, etc. to be the Exchange:

When the settlement company designates transfer of a stock pertaining to a stock dividend with respect to a deposited security, etc. and a customer pays an amount corresponding to an amount held as a withholding tax, the settlement company shall receive a stock pertaining to such stock dividend and shall transfer that to a foreign securities trading account through a trading participant; and if a stock is less than one (1) share (see Note 1 below) and the settlement company does not designate transfer, or if it is a stock pertaining to a stock dividend in cases where the settlement company designates transfer and a customer does not pay an amount corresponding to an amount held as a withholding tax charged in Japan, the settlement company shall dispose of such stock and shall pay the sale proceeds to a customer through a share-handling service agent (see Note 2 below); provided, however, that if a customer does not pay an amount corresponding to an amount held as a withholding tax charged in the nation, etc. where an issuer of a deposited security, etc. is located, a stock or sale proceeds of a stock pertaining to such stock dividend shall, as a general rule, not be received;

(Note 1) The term "one (1) share" means one (1) unit if it is a foreign investment trust beneficiary certificate, etc., a foreign investment security, etc., and beneficiary certificate of a foreign beneficiary certificate issuing trust, etc. (it shall be one (1) security in the case of foreign investment securities, etc. similar to investment corporation bonds); and one (1) receipt if it is a foreign stock depositary receipt; the same shall apply in this section.

(Note 2) The term "share-handling service agent" means a beneficiary rights-handling service agent in the case of a foreign investment trust beneficiary certificate, etc. and a beneficiary certificate, etc. of foreign beneficiary certificates issuing trusts, and an investment unit-handling service agent or investment corporation bond handling agent in the case of foreign investment securities, etc.; the same shall apply in this section.

- b. In cases where the settlement company deems the main market of a deposited security, etc. is the Exchange:

A customer shall pay an amount corresponding to an amount held as withholding tax, and the settlement company shall receive a stock pertaining to such stock dividend, and transfer that to a foreign securities trading account through a trading participant; provided, however, that a stock less than one (1) share shall be disposed of by the settlement company and sale proceeds shall be paid to a customer through a share-handling service agent.

- (3) In cases where money other than dividends is delivered, the settlement company shall receive it and shall pay that to a customer through a share-handling service agent; and  
(4) An amount corresponding to an amount held as withholding tax charged in the nation, etc. where an issuer of a deposited security, etc. is located, as specified in Item (2) shall

- be paid in Japanese yen, and conversion from a foreign currency to Japanese yen shall be made at a rate specified by the settlement company or a trading participant; provided, however, that if a trading participant agrees, it may be paid in a foreign currency.
2. A customer shall instruct a trading participant concerning the method of dividend payment as specified in Item (1) of the preceding paragraph, sale proceeds as set forth in a. and b. of Item (2) of the same paragraph and money as specified in Item (3) of the same paragraph (hereinafter referred to as "dividends, etc." in this section), using a document predetermined by the trading participant.
  3. Dividend payment, etc. shall all be made in Japanese yen (if a fraction less than the decimal point occurs, it shall be rounded down).
  4. Conversion from a foreign currency to Japanese yen at the time of payment of the preceding paragraph shall be made at a spot TTB rate for customers specified by a dividend-payment-handling bank (in cases of conversion of money other than dividends as prescribed in Paragraph 1, Item (1), a share-handling service agent; the same shall apply hereinafter in this paragraph.) on which it has confirmed receipt of dividends, etc. (in cases where such dividend-payment-handling bank deems it difficult to do so, at a spot TTB rate for customers first specified after confirming its receipt); provided, however, that, if remittance of a foreign currency to Japan is impossible or difficult due to various laws and regulations or practice & customs, etc. in the nation, etc. in which the issuer of a deposited security, etc. is located, it shall be made at a rate specified by the settlement company.
  5. In cases where the settlement company is charged with expenses for payment procedures for dividends, etc. as prescribed in each item of Paragraph 1, because of various laws and regulations or practice & customs, etc. in the nation, etc. in which the issuer of a deposited security, etc. is located, a customer shall be liable for such expenses, and the settlement company shall collect them from the customer by a method of deducting them from dividends or other means.
  6. Preparation and submission, etc. of a record concerning dividends, etc. shall be conducted by a share-handling service agent and the settlement company pursuant to the provisions as prescribed by various laws and regulations.
  7. Notwithstanding the provisions of Paragraphs 1 and 3, in cases where the settlement company cannot make dividend payment, etc. in the event of a sudden change in the foreign currency situation, closure of foreign exchange markets, etc., the settlement company may retain dividend payment, etc. until such situation is resolved, or pay dividends, etc. in a foreign currency. In this case, dividends, etc. to be retained shall not bear interest or any other consideration.

### **Rule 30-5. Handling of Subscription Warrants, etc. and Other Rights**

The handling of subscription warrants, etc. (meaning rights to newly allot foreign stocks, etc.; the same shall apply hereinafter in this section) and other rights pertaining to deposited securities, etc. shall be pursuant to the provisions of each of the following items:

- (1) In cases where a subscription warrant, etc. is given, the handling shall be made in accordance with the classification specified as in the following sub-items and pursuant to the provision of the following Sub-items a. and b.:
  - a. In cases other than cases where the settlement company deems the Exchange to be the main market for a deposited security:

When a customer notifies a trading participant that said customer desires to subscribe new equities (meaning rights to take up foreign stocks, etc. to be newly allotted; the same shall apply in this section) by a prescribed cutoff time, and shall pay



paying-in consideration to the settlement company through a trading participant, the settlement company shall subscribe the new equities by exercising such subscription warrants, etc. on behalf of a customer, and shall transfer them to a foreign securities trading account through a trading participant; and when a customer does not notify a trading participant that such customer does not desire to subscribe new equities by the prescribed cutoff time, or the settlement company deems it impossible to exercise such subscription warrants, etc., the settlement company shall dispose of such subscription warrants, etc.; provided, however, that if the settlement company is unable to dispose of all or part of such subscription warrants, etc. because of various laws and regulations or practice & customs, etc. of the nation, etc. where the issuer of such deposited securities, etc. is located or the market state, such all or part of the subscription warrants, etc. shall be invalidated; and

- b. In cases where the settlement company deems the Exchange to be the main market for a deposited security:

The settlement company shall receive subscription warrants, etc. and shall transfer them to a foreign securities trading account through a trading participant. In this case, when a customer notifies a trading participant that the customer desires to subscribe new equities by the predetermined cutoff time, and shall pay paying-in consideration to the settlement company through a trading participant, the settlement company shall subscribe new equities by exercising such subscription warrants, etc. on behalf of the customer and shall transfer them to a foreign securities trading account through a trading participant; and when a customer does not notify a trading participant that the customer does not desire to subscribe new equities by the predetermined cutoff time, new equities may not be subscribed;

- (2) New shares allotted due to a stock split, gratis allotment, capital reduction or equity consolidation, etc. by a merger (excluding items on which withholding tax is charged, but including items which have the same characteristics as those of foreign investment trust beneficiary certificates, etc., foreign investment securities, etc., foreign stock depositary receipts, and beneficiary certificates of foreign beneficiary certificate issuing trusts, etc.) shall be received by the settlement company, and shall be transferred to a foreign securities trading account through a trading participant; provided, however, that a new equity less than one (1) share shall be sold by the settlement company;
- (3) In cases where a stock other than a deposited security, etc. issued by the issuer of such deposited security is distributed, and the settlement company designates transfer of such stock distributed and a customer pays an amount corresponding to an amount held as withholding tax, the settlement company shall receive the stock distributed and shall make a transfer to a foreign securities trading account through a trading participant; and the settlement company shall sell stock certificates representing less than one (1) share, and a stock distributed in cases where the settlement company does not designate transfer, or where the settlement company designates transfer and a customer does not pay an amount corresponding to an amount held as withholding tax, and shall pay sale proceeds to customers through a share-handling service agent; provided, however, that, if a customer does not pay an amount corresponding to an amount held as withholding tax charged by a nation, etc. where the issuer of a deposited security, etc. is located by the prescribed cutoff time, such stock distributed or sale proceeds of the stock shall, as a general rule, not be received;
- (4) In cases where rights other than those in the preceding three (3) items are given, the handling of such rights shall be as specified by the settlement company;

- (5) Sale proceeds of rights sold pursuant to Sub-item a. of Item (1), Item (2), and Item (3) shall be handled pursuant to the provisions of Sub-item a. of Item (2) of Paragraph 1 of the preceding rule and Paragraph 2 through Paragraph 5, and Paragraph 7 of the same rule; and
- (6) Payment of paying-in money referenced in Item (1) and an amount corresponding to an amount held as withholding tax charged by a nation, etc. where the issuer of a deposited security, etc. referenced in Item (3) is located shall be made in Japanese yen, and conversion from a foreign currency to Japanese yen shall be made at a rate specified by the settlement company or a trading participant; provided, however, that they may be paid in a foreign currency, if a trading participant so agrees.

#### **Rule 30-6. Measures Taken if Paying-in Money is Unpaid**

If a customer does not pay to a trading participant paying-in money pertaining to an exercise of a subscription warrant, etc. or any other money promised to pay to a trading participant in order to exercise rights of foreign securities or receive equity dividends, or an amount corresponding to an amount held as withholding tax by a prescribed cutoff time, the trading participant may, at its discretion, enter into an agreement, etc. to sell such subscribed stock for the account of the customer in order to fulfill such obligations of the customer.

#### **Rule 30-7. Exercise of Voting Rights**

1. Voting rights at a general shareholders' meeting pertaining to a deposited security, etc. (including meetings of beneficiaries pertaining to foreign investment trust beneficiary certificates, etc. and beneficiary certificates of foreign beneficiary certificate issuing trusts, etc. and general meetings of investors and meetings of investment corporation creditors pertaining to foreign investment securities, etc.; the same shall apply hereinafter) (excluding foreign stock depositary receipts; the same shall apply hereinafter in this rule) shall be exercised by the settlement company at the instruction of a customer; provided, however, that, if this instruction is not given, the settlement company shall not exercise the voting rights.
2. Instruction referenced in the preceding paragraph shall be given by a prescribed document to a share-handling service agent by a date designated by the settlement company.
3. Notwithstanding the provisions in Paragraph 1, in cases where the settlement company is unable to exercise voting rights at a general shareholders' meeting pertaining to such deposited security, etc. because of the laws and regulations of a nation, etc. in which the issuer of the deposited security, etc. is located, a customer exercises them by a method in which the settlement company sends a predetermined document which is supposed to be submitted by a customer to a share-handling service agent.
4. Notwithstanding the provisions of Paragraph 1 and the preceding paragraph, in cases where the settlement company is unable to exercise voting rights without consolidating the voting rights that it owns at a general shareholders' meeting pertaining to such deposited security, etc. because of laws and regulations of a nation, etc. in which the issuer of the deposited security, etc. is located, or where customers are allowed to exercise their voting rights by attending a general shareholders' meeting pertaining to such deposited security, etc., the settlement company may separately specify a treatment concerning the exercise of the voting rights.

#### **Rule 30-8. Exercise of Voting Rights Pertaining to Foreign Stock Depositary Receipts**

1. Voting rights at a general shareholders' meeting pertaining to a foreign stock, etc. with respect

to rights represented by foreign stock depositary receipts shall be exercised by the issuer of such foreign stock depositary receipts at the instruction of customers; provided, however, that, if this instruction is not given, the voting rights shall not be exercised by such issuer.

2. The provisions of Paragraph 2 of the preceding rule shall apply mutatis mutandis to instruction of the preceding paragraph.
3. Notwithstanding the provisions of Paragraph 1, in cases where the issuer of foreign stock depositary receipts is unable to exercise voting rights at a general shareholders' meeting pertaining to such foreign stock, etc. because of laws and regulations of a nation, etc. where the issuer of such foreign stock, etc. pertaining to the rights represented by foreign stock depositary receipts, the voting rights shall be exercised by customers by a method in which the settlement company sends a predetermined document, which is supposed to be submitted by a customer to a share-handling service agent, to the issuer of such foreign stock, etc. through the issuer of such foreign stock depositary receipts.
4. Notwithstanding the provisions of Paragraph 1 and the preceding paragraph, in cases where the issuer of foreign stock depositary receipts is unable to exercise the voting rights that it owns at a general shareholders' meeting pertaining to such foreign stock, etc. through the settlement company without consolidating them due to the laws and regulations of the nation, etc. where the issuer of a foreign stock, etc. pertaining to the rights represented by foreign stock depositary receipts is located, or customers are allowed to exercise their voting rights by attending a general shareholders' meeting pertaining to such foreign stock, etc., the settlement company may separately specify a treatment concerning the exercise of the voting rights.

#### **Rule 30-9. Sending of Documents, etc. of Shareholders' Meetings, etc.**

1. Documents concerning a general shareholders' meeting pertaining to a foreign stock, etc. with respect to a deposited security, etc. (excluding foreign stock depositary receipts) issued by the issuer of such deposited security, etc. or rights represented by foreign stock depositary receipts, business reports, and any other notices concerning rights or benefits of shareholders (beneficiaries in the case of foreign investment trust beneficiary certificates and beneficiary certificates of foreign beneficiary certificate issuing trusts, etc.; investors in the case of foreign investment securities, etc.; and holders in cases of foreign stock depositary receipts) such as provision of dividends, subscription warrants, etc. shall be sent by a share-handling service agent to an address notified by customers.
2. When the Exchange deems it appropriate, the sending of various notices in the preceding paragraph may be replaced by public announcement in a daily newspaper disseminating current affairs or by a method of keeping such notices at share-handling service agents.

#### **Rule 30-10. Agreement Concerning Provision of Individual Data to Third Parties**

A customer shall agree that personal data of such customer (meaning personal data as prescribed in Article 2, Paragraph 4 of Act on Protection of Personal Information (Act No. 57 of 2003), which is the address, name, quantity of foreign securities held and any other information within the scope necessary in accordance with the cases referred to in each such item pertaining to such customer) may be provided to a person specified in each such item, in the cases referred to in each such item:

- (1) In cases where application of a reduced tax rate, refund and any other procedures pertaining to withholding tax charged on dividends pertaining to a deposited security, etc. by a nation, etc. where the issuer of such deposited security, etc. is located are conducted:

The tax office in a nation, etc. where the issuer of such deposited security, etc.

is located, or a local custody institution pertaining to such deposited security, etc.;

- (2) In cases where application of a reduced tax rate, refund and any other procedures pertaining to withholding tax charged on dividends pertaining to such foreign stock, etc. by a nation, etc. where the issuer of a foreign stock, etc. pertaining to rights represented by foreign stock depositary receipts is located are conducted:

The tax office in a nation, etc. where the issuer of such foreign stock, etc. is located, a local custody institution pertaining to such foreign stock, etc., the issuer of such foreign stock depositary receipts, and a local custody institution pertaining to such foreign stock depositary receipts; or

- (3) In cases where the issuer of a foreign stock, etc. pertaining to rights represented by a deposited security, etc. or foreign stock depositary receipts prepares securities reports and any other documents pursuant to laws and regulations of a nation, etc. both in and outside Japan or rules as prescribed by the financial instruments exchanges, etc. (hereinafter referred to as the "laws and regulations, etc." in this item), and prepares statistical data necessary to exercise rights or fulfill obligations under the laws and regulations, etc., provide information to beneficial shareholders or conduct public relations activities, etc.:

The issuer of such deposited security, etc. or the issuer of such foreign stock, etc.

## SECTION 4

### SECURITY DEPOSIT PERTAINING TO WHEN-ISSUED TRANSACTIONS

#### **Rule 31. Submission of Security Deposit Pertaining to When-Issued Transactions**

1. When a sale or purchase pertaining to a when-issued transaction is carried out, a customer shall submit money equivalent to or more than the amount obtained by multiplying the contract value by 30/100 as security deposit by a date and time designated by the trading participant up to noon on the third day counting from the day on which the transaction is effected.
2. The provisions of the preceding paragraph shall not apply to a purchase or a sale that matches a short position or a long position of the same issue of the same customer.

#### **Rule 32. Substitution of Security Deposit Pertaining to When-Issued Transactions by Securities, etc.**

The provisions of Rule 39-2 and Rule 40 shall apply mutatis mutandis to the type of money submitted as security deposit and substitution by securities for security deposit pertaining to when-issued transactions.

#### **Rule 33. Withdrawal, etc. of Security Deposit Pertaining to When-Issued Transactions**

1. Regarding money or securities which have been received from a customer as security deposit pertaining to a when-issued transaction, a trading participant may allow the customer to withdraw money equivalent to the amount obtained by subtracting the amount referred to in Item (2) from the amount referred to in Item (1), or securities equivalent to the amount obtained by dividing such amount by the ratio referred to in each item of Rule 40, Paragraph 2 which is applied mutatis mutandis in the preceding rule.
  - (1) The total amount of deposited margin pertaining to such customer's when-issued transaction (limited to security deposit pertaining to such when-issued transactions for which deposit was received. The same shall apply to Item (1), Sub-item a. of the next

- paragraph and Item (2), Sub-item a. of the same paragraph, Paragraph 3, Item (1), and Rule 37.);
- (2) The amount obtained by multiplying the contract value of all securities pertaining to the when-issued transaction in the preceding item (excluding those pertaining to corresponding transactions and transactions opposite to such corresponding transactions, as well as those for which settlement has completed. The same shall be applied to Item (1), Sub-item b. of the next paragraph, Item (2), Sub-item b. of the same paragraph, Paragraph 3, Sub-item b. and Rule 37.) by 30/100.
2. In addition to matters pursuant to the provisions of the preceding paragraph, regarding money or securities which have been received from a customer as security deposit pertaining to a when-issued transaction, a trading participant may allow the customer to withdraw such money or securities only in the cases referred to in each of the following items.
- (1) In cases of partial settlement of securities pertaining to when-issued transactions (limited to cases of withdrawing money equivalent to the amount obtained by subtracting the amount referred to in Sub-item b. from the amount referred to in Sub-item a., or securities equivalent to the amount obtained by dividing such amount by the ratio referred to in each item of Rule 40, Paragraph 2 which is applied mutatis mutandis in the preceding rule.);
- a. The total amount of deposited margin pertaining to the when-issued transactions of such customer.
- b. The amount obtained by multiplying the contract value of all securities pertaining to the when-issued transactions in the preceding Sub-item a. (excluding those pertaining to the when-issued transactions to be so settled) by 30/100.
- (2) In cases of partial settlement of securities pertaining to the when-issued transactions, when deposit of all securities purchased or money equivalent to the sales proceeds from securities sold via the when-issued transaction pertaining to such partial settlement as security deposit pertaining to a when-issued transaction is a condition (limited to cases where the amount referred to in Sub-item a. after such deposit is at least the amount referred to in Sub-item b.);
- a. The total amount of deposited margin pertaining to the when-issued transactions of such customer.
- b. The amount obtained by multiplying the contract value of all securities pertaining to the when-issued transactions in the preceding Sub-item a. by 30/100.
- (3) In cases of settling all securities pertaining to when-issued transactions; or
- (4) In cases of replacing such money or securities in whole or in part.
3. When a trading participant conducts a new when-issued transaction for its customer, it may allocate to the amount of money which should be deposited as security deposit pertaining to such new when-issued transaction pursuant to the provisions of Rule 31, money equivalent to the amount obtained by subtracting the amount referred to in Item (2) from the amount referred to in Item (1), or securities equivalent to the amount obtained by dividing such amount by the ratio referred to in each item of Rule 40, Paragraph 2, which is applied mutatis mutandis in the preceding rule, deposited as security deposit pertaining to the when-issued transaction which it received from such customer as security deposit pertaining to the when-issued transaction.
- (1) The total amount of deposited margin pertaining to the when-issued transactions of such customer;
- (2) The amount obtained by multiplying the contract value of all securities pertaining to the when-issued transactions in the preceding item by 30/100.

**Rule 34. Computation Method of Deposited Margin Pertaining to When-Issued Transaction**

1. The total amount of deposited margin prescribed in Paragraph 1, Item (1) of the preceding rule, Paragraph 2, Item (1), Sub-item a., and Item (2), Sub-item a. of the same rule, Paragraph 3, Item (1) of the same rule, and Rule 37 shall be computed by deducting the amount referred to in each of the following items; provided, however, the amount referred to in Item (1) for the when-issued transaction to be settled shall not be deducted from the total amount of deposited margin prescribed in Paragraph 2, Item (1), Sub-item a. of the preceding rule.
  - (1) The amount equivalent to the total amount to be borne by a customer in relation to the when-issued transactions of such customer, which consists of (i) implicit losses computed by deducting profits due to fluctuations of price movement of securities and profits due to corresponding transactions pertaining to when-issued transactions of said customer from losses due to fluctuations of prices of securities and losses due to corresponding transactions pertaining to when-issued transactions of said customer, and (ii) an amount due pertaining to the when-issued transactions of a customer, including brokerage commissions;
  - (2) In cases where the customer is provided with credit for such customer's when-issued transactions, the amount equivalent to such provided credit; and
  - (3) In cases where the customer has remaining obligations to the trading participant after the settlement of securities pertaining to the when-issued transactions of such customer (including loans and other obligations related to new claims and other obligations with the trading participant), the amount equivalent to such remaining amount.
2. The provisions of Paragraphs 2 and 3 of Rule 45 shall apply mutatis mutandis to calculation of the total amount of deposited margin pertaining to when-issued transactions.

**Rule 35. Restriction on Withdrawal of Implicit Profits from Accounts Pertaining to When-Issued transactions**

In cases where an implicit profit arises as a result of price fluctuations of securities pertaining to a when-issued transaction of a customer or an offsetting transaction, a trading participant shall not deliver an amount of money corresponding to the amount of said profit or securities or nor appropriate them for an amount of money that should be submitted as security deposit, before the settlement of such transaction.

**Rule 36. Additional Submission of Security Deposit Pertaining to When-Issued Transactions**

In cases where an implicit loss is incurred as a result of price fluctuations of securities pertaining to a when-issued transaction of a customer or an opposite-side transaction, a trading participant may make the customer submit an additional security deposit which corresponds to the amount of said loss.

**Rule 37. Maintaining Amount Level of Security Deposit Pertaining to When-Issued Transactions**

1. When the total amount of deposited margin pertaining to when-issued transactions becomes less than the amount obtained by multiplying the contract value of all securities pertaining to when-issued transactions of said customer by 20/100, a trading participant must make such customer submit, as additional security deposit, an amount necessary to keep the amount prescribed in Rule 31, Paragraph 1 with regard to the contract value, by a time and date

designated by the trading participant up to noon on the third day counting from the day on which the implicit loss is incurred by such customer.

2. In cases where a trading participant conducted a purchase or sale which corresponds to the sell or buy position pertaining to a when-issued transaction subject to the loss calculation prescribed in the preceding paragraph for a customer by a date and time designated by the trading participant up to noon on the third day counting from the day on which the implicit loss occurred, the trading participant may subtract the amount obtained by multiplying the contract value of securities pertaining to such buy or sell positions by 20/100 from the security deposit that must be additionally deposited pursuant to the preceding paragraph.
3. In cases where a trading participant received deposit from the customer of an amount equivalent to (i) losses from a purchase or sale which corresponds to the buy or sell position pertaining to a when-issued transaction subject to the implicit loss prescribed in Paragraph 1 and (ii) the amount to be borne by such customer pertaining to such when-issued transaction by a date and time designated by the trading participant up to noon on the third day counting from the day on which the implicit loss occurred, the trading participant may subtract these amounts from the security deposit that must be additionally deposited pursuant to the preceding paragraph during the period before the settlement of such when-issued transactions.

#### **Rule 38. Return of Security Deposit Pertaining to Matched Quantity**

1. If a short position and a long position pertaining to when issued transactions of the same issue of the same customer match each other, and then the customer makes a request to return deposited margin, the trading participant shall return the deposited margin pertaining to such matching quantity.
2. In cases where a trading participant returns deposited margin as a short position and a long position in the preceding paragraph matches each other, if an implicit loss has been incurred due to such offsetting transactions, the trading participant shall make the customer submit money corresponding to the amount of such loss.

## **SECTION 5**

### **MISCELLANEOUS PROVISIONS**

#### **Rule 38-2. Special Provisions for Settlement Related to Customer of Remote Trading Participant**

1. If a customer (limited to customers of a remote trading participant (meaning a remote trading participant prescribed in Rule 6, Paragraph 2 of the Trading Participant Regulations; the same shall apply hereinafter) that belong to the same corporate group (meaning "corporate group" defined in Article 5, Paragraph 1, Item (2) of the Act) as the remote trading participant; the same shall apply here in this rule and the following rule) has agreed in advance with the remote trading participant and its designated clearing participant, it may conduct settlement with the designated clearing participant in place of the remote trading participant pursuant to the provisions of Rules 10 through 30-6. (excluding Rules 13, 15, and 28).
2. If a customer has conducted settlement with the designated clearing participant pursuant to the provisions of the preceding paragraph, such settlement shall be deemed to have been conducted between the customer and the remote trading participant.

### **Rule 38-3. Reporting Duty Concerning Status of Settlement**

A customer that conducts settlement with the designated clearing participant pursuant to the provisions of Paragraph 1 of the preceding rule must report the status of such settlement to the remote trading participant in accordance with the instruction of the remote trading participant.

## **CHAPTER 4**

### **MATTERS CONCERNING CREDIT TO GIVE WHEN ACCEPTING ORDERS FOR SECURITIES TRADING**

#### **Rule 39. Submission of Security Deposit Pertaining to Margin Transactions**

When a sale or a purchase by a margin transaction is made, a customer shall submit money equivalent to or more than the amount specified in each of the following items as security deposit by a date and time designated by the trading participant up to noon on the third day counting from the day on which the transaction is effected:

- (1) In cases where there is no deposited margin of such customer at the time of submission:
  - a. In cases where the contract value of securities pertaining to such margin transaction multiplied by 30/100 (In cases where the securities pertaining to such margin transaction are those related to leverage indicator, etc. (meaning quotation and other indicators in financial instruments market (meaning the financial instruments market prescribed in Article 2, Paragraph 14, of the Act) that are calculated to have a daily fluctuation rate to be the one obtained by multiplying a certain number by the daily fluctuation rate of other indicators,) the rate obtained by multiplying the certain number (when the certain number is less than 0, the number calculated by deducting the certain number from 0) by 30/100. (if the rate is less than 30/100, 30/100.) The same shall apply to Article 44.) (hereinafter referred to as the "normal minimum amount" in this rule) is JPY 300,000 or more, it shall be said amount; or
  - b. In cases where the normal minimum amount pertaining to such margin transaction is less than JPY 300,000, it shall be JPY 300,000;
- (2) In cases where there is deposited margin of such customer at the time of submission:
  - a. In cases where the grand total of the normal minimum amount pertaining to such margin transaction and the total amount of deposited margin pertaining to margin transactions of such customer (meaning the total amount of deposited margin computed in accordance with the calculation prescribed in Rule 45, Paragraph 1; the same shall apply hereinafter) is JPY 300,000 or more, it shall be the normal minimum amount pertaining to such margin transaction; or
  - b. In cases where the grand total of the normal minimum amount pertaining to such margin transaction and the total amount of deposited margin pertaining to margin transactions of such customer is less than JPY 300,000, it shall be the total amount obtained by adding the difference between JPY 300,000 and said grand total to the normal minimum amount pertaining to such margin transaction.

#### **Rule 39-2. Type, etc. of Money Submitted As Security Deposit**

1. Money that can be submitted as security deposit prescribed in the preceding rule shall be Japanese yen or US dollar.
2. The amount of money pertaining to security deposit prescribed in the preceding rule that is submitted in US dollar (including deposited margin prescribed in the same rule) shall be that obtained by multiplying (a) the amount converted into Japanese yen based on the foreign



exchange rate designated by the trading participant by (b) 95/100.

**Rule 40. Substitution of Security Deposit Pertaining to Margin Transactions by Securities**

1. Security deposit pertaining to margin transactions may be substituted by securities.
2. The types of the securities in the preceding paragraph shall be those referred to in each of the following items, and the substitute price at the time of the submission shall not exceed an amount obtained by multiplying the market price on the previous day (meaning the market price as prescribed in each such item with respect to the securities referred to in each item of the next paragraph; the same shall apply hereinafter in this rule and in Rule 45, Paragraph 2) by the ratio specified in each such item:
  - (1) Stocks (meaning stocks issued by domestic corporations, preferred equity investment securities, foreign stocks, etc., and beneficiary certificates of beneficiary certificate-issuing trusts; hereinafter the same) listed on the financial instruments exchanges in Japan 80/100
  - (2) Government bonds 95/100
  - (3) Municipal bonds (limited to cases where a principal underwriting agreement has been entered into at the time of their issuance) 85/100
  - (4) Bonds issued by a corporation under a special law:  
Bonds with redemption of the principal and interest payment guaranteed by the government 90/100  
Other bonds 85/100
  - (5) Corporate bonds listed on a financial instruments exchange in Japan (excluding convertible bonds and exchangeable corporate bonds; the same shall apply hereinafter in this rule) or corporate bonds issued by a company whose stock is listed on a financial instruments exchange in Japan which are issued by a company that is not a foreign company (limited to cases where a principal underwriting agreement has been entered into by a financial instruments firm at the time of their issuance) 85/100
  - (6) Convertible bonds listed on a financial instruments exchange in Japan or corporate bonds with subscription warrants which are issued by a company whose stock is listed on a financial instruments exchange in Japan and, furthermore, which are issued by a company other than a foreign company (limited to cases where a principal underwriting agreement has been entered into by a financial instruments firm at the time of their issuance) 80/100
  - (7) Exchangeable corporate bonds listed on a financial instruments exchange in Japan (limited to cases where a principal underwriting agreement has been entered into by a financial instruments firm at the time of their issuance) 80/100
  - (8) Foreign government bonds listed on a financial instruments exchange in Japan 85/100
  - (9) Foreign municipal bonds listed on a financial instruments exchange in Japan 85/100
  - (10) Yen denominated bonds of International Bank for Reconstruction and Development 90/100
  - (11) Yen denominated bonds of Asian Development Bank 90/100
  - (12) Yen denominated foreign bonds issued by a foreign corporation other than issuers of the bonds referred to in the preceding four (4) items (limited to those listed on a foreign instruments exchange in Japan) 85/100
  - (13) Investment trust beneficiary certificates and investment securities (those listed on a financial instruments exchange in Japan and those whose market price on the previous day is announced by the Investment Trusts Association, Japan (General Incorporated Association)):

Beneficiary certificates of a public and corporate bond investment trust 85/100  
Others 80/100

- (14) Foreign stocks, etc. (excluding securities similar to new investment unit subscription warrant securities and investment corporation bonds; hereinafter the same in this rule) listed on a financial instruments exchange that is registered with the U.S. Securities and Exchange Commission pursuant to the provisions of Section 6 of the U.S. Securities Exchange Act of 1934:

60/100 (or 70/100 in the case that the market value prescribed in Item (5) of the following paragraph is the last market value at the time of submission)

3. Market price of securities shall be as prescribed in each of the following items in accordance with the types of securities referred to in each of the following items:

- (1) Out of stocks prescribed in Item (1) of the preceding paragraph, convertible bonds prescribed in Item (6) of the same paragraph, exchangeable corporate bonds prescribed in Item (7) of the same paragraph, and investment trust beneficiary certificates and investment securities prescribed in Item (13) of the same paragraph, those listed on a financial instruments exchange in Japan:

Last price on a financial instruments exchange in Japan

(In cases where a quote is displayed on a financial instruments exchange in Japan, such last quote price);

- (2) Out of investment trust beneficiary certificates and investment securities prescribed in Item (13) of the preceding paragraph, those whose market price of the previous day is published by the Investment Trusts Association, Japan (General Incorporated Association):

Market price published by the Investment Trusts Association, Japan (General Incorporated Association);

- (3) Out of securities other than the securities referred to in the preceding two (2) items, those whose statistical values for trading reference are published by the Japan Securities Dealers Association:

The average value, out of the statistical values for trading reference published by the Japan Securities Dealers Association (in the case of inflation-linked government bonds (meaning inflation-linked government bonds prescribed in Article 1 of the Ministerial Order on Handling of Inflation-linked Government Bonds (Ministry of Finance Order No. 7 of 2004), the value obtained by multiplying said average value by an interlocking coefficient published by the Ministry of Finance);

- (4) Out of securities other than the securities referred to in each of the preceding items, those listed on a financial instruments exchange in Japan:

Last price on a financial instruments exchange in Japan

(In cases where a quote is displayed on a financial instruments exchange in Japan, such last quote price); or

- (5) Foreign stocks, etc. prescribed in Item (14) of the preceding paragraph:

Closing price or quote price at the financial instruments exchange prescribed in said item (the price shall be converted into Japanese yen based on the foreign exchange rate designated by the trading participant)

#### **Rule 41. Lending of Securities or Money for Margin Transactions**

1. With respect to a sale pertaining to a margin transaction, a trading participant shall lend a

security for such sale on the settlement day of such sale, taking sale proceeds and security deposit as collateral. With respect to a purchase pertaining a margin transaction, a trading participant shall lend money corresponding to the total amount of the contract value of such purchase on the settlement day of such purchase, taking such security purchased and security deposit as collateral; provided, however, that, in cases where adjustment as prescribed in Rule 50, Paragraph 2 was made, lending of a security to sell or purchase consideration pertaining to new shares shall be deemed to have been made on the effective day of a stock split (see Note 1 below) or gratis allotment of shares (see Note 2 below) .

(Note 1) The term "stock split" shall include a split of a preferred equity investment security, a split of beneficiary rights, a split of an investment unit, and those having the same characteristics as these splits pertaining to foreign stock depositary receipts; the same shall apply hereinafter.

(Note 2) The term "gratis allotment of shares" shall mean those having the same characteristics as such gratis allotment pertaining to foreign stock depositary receipts; the same shall apply hereinafter.

2. In cases where lending of a security or money specified in the preceding paragraph is made in a standardized margin transaction with respect to a security eligible for loan, a trading participant shall collect premium charges specified by the Exchange from a customer who borrows the security, and deliver them to a customer who borrows money.

#### **Rule 42. Period During Which Premium Charges are Delivered and Received**

Delivery and receipt of premium charges as prescribed in Paragraph 2 of the preceding rule may be conducted during a period from the day of lending to a day immediately prior to the day of return of the security or repayment of borrowed money.

#### **Rule 43. Satisfaction Deadline of Securities or Money Borrowed for Margin Transaction**

1. The return/repayment deadline of a security sold or purchase consideration lent through a margin transaction shall be a day following the day of lending, and if such return/repayment is not notified by the day which is two (2) days (excluding non-business days of the Exchange) prior to the deadline, it shall be extended to the next day (excluding non-business days of the Exchange) sequentially ; provided, however, that if it is conducted as a standardized margin transaction, the deadline may not be extended beyond the third day counting from the corresponding day following six months (see Note 1 below) to the day on which a sale or a purchase was effected in such margin transaction.

(Note 1) If there is no corresponding day, it shall be the end date of that month. If the corresponding day falls on a non-business day of the Exchange, it shall be moved up in order; the same shall apply hereinafter.

2. The deadline of obligation fulfillment with regard to loaning a security to sell or purchase money pertaining to new shares in cases where adjustment is conducted as prescribed in Rule 50, Paragraph 2 may not be extended beyond the third day counting from the corresponding date in the sixth month from the day on which a sale or a purchase of shares (see Note 2 below) which are the subject of stock split or gratis allotment of shares was made.

(Note 2) The term "shares" shall include preferred equity investment, beneficiary rights,

and investment units, as well as rights represented by foreign stock depositary receipts; the same shall apply in Rules 49 and 50.

**Rule 44. Withdrawal, etc. of Security Deposit Pertaining to Margin Transactions**

1. Regarding money or securities which have been received from a customer as security deposit pertaining to a margin transaction, a trading participant may allow the customer to withdraw money equivalent to the amount obtained by subtracting the amount referred to in Item (2) from the amount referred to in Item (1), or securities equivalent to the amount obtained by dividing such amount by the ratio referred to in each item of Rule 40, Paragraph 2.
  - (1) The total amount of deposited margin pertaining to such customer's margin transactions (limited to margin transactions for which deposit of security deposit pertaining to such margin transactions was received. The same shall apply to Item (1), Sub-item a. of the next paragraph, Item (2), Sub-item a. of the same paragraph, Paragraph 3, Item (1), and Rule 48.);
  - (2) The amount obtained by multiplying the contract value of all securities pertaining to the margin transactions in the preceding item (excluding securities pertaining to offsetting transactions or securities for which delivery of money or securities necessary for settlement by other methods than offsetting transactions was received. The same shall apply to Item (1), Sub-item b. of the next paragraph, Item (2), Sub-item b. of the same paragraph, Paragraph 3, Item (2), and Rule 48.) by 30/100 (when such amount is less than JPY 300,000 (excluding when the amount is zero), JPY 300,000).
2. In addition to matters pursuant to the provisions of the preceding paragraph, regarding money or securities which have been received from a customer as security deposit pertaining to a margin transaction, a trading participant may allow the customer to withdraw such money or securities only in the cases referred to in each of the following items.
  - (1) In cases of partial settlement pertaining to an unsettled account (limited to cases of withdrawing money equivalent to the amount obtained by subtracting the amount referred to in Sub-item b. from the amount referred to in Sub-item a. (hereinafter referred to as "the calculated amount" in this item), or securities equivalent to the amount obtained by dividing the calculated amount by the ratio referred to in each item of Rule 40, Paragraph 2);
    - a. The total amount of deposited margin pertaining to margin transactions of such customer.
    - b. The amount obtained by multiplying the contract value of all securities pertaining to the margin transactions in the preceding Sub-item a. (excluding those pertaining to unsettled accounts to be settled) by 30/100 (when such amount is less than JPY 300,000, JPY 300,000).
  - (2) In cases of partial settlement of unsettled accounts (excluding settlement by offsetting purchase or sale), when deposit of all securities purchased or money equivalent to the sales proceeds of securities sold via the margin transaction pertaining to such unsettled accounts to be settled as security deposit pertaining to a margin transaction is a condition (limited to cases where the amount referred to in Sub-item a. after such deposit is at least the amount referred to in Sub-item b.);
    - a. The total amount of deposited margin pertaining to the margin transactions of such customer.
    - b. The amount obtained by multiplying the contract value of all securities pertaining to the margin transactions in the preceding Sub-item a. by 30/100 (when such amount is less than JPY 300,000, JPY 300,000);
  - (3) In cases of settling all unsettled accounts; or

- (4) In cases of replacing such money or securities in whole or in part.
3. When a trading participant conducts a new margin transaction for its customer, it may allocate to the amount of money which should be submitted as security deposit pertaining to such new margin transaction pursuant to the provisions of Rule 39, money equivalent to the amount obtained by subtracting the amount referred to in Items (2) and (3) from the amount referred to in Item (1) (hereinafter referred to as the "calculated amount" in this paragraph), or securities equivalent to the amount obtained by dividing the calculated amount by the ratio referred to in each item of Rule 40, Paragraph 2, deposited as security deposit pertaining to a margin transaction which it received from such customer as security deposit pertaining to a margin transaction.
- (1) The total amount of deposited margin pertaining to the margin transactions of such customer;
  - (2) The amount obtained by multiplying the contract value of all securities pertaining to the margin transactions in the preceding item by 30/100;
  - (3) Where the sum of the money that should be deposited and the amount referred to in the preceding item is less than JPY 300,000, the amount equivalent to the difference between such sum and JPY 300,000.
4. In cases where there are ex-right securities among all securities pertaining to the margin transactions and settlement is conducted for unsettled accounts via subtracting the rights value from the sales proceeds or purchase consideration of such securities (\*), the contract values in Paragraph 1, Item (2), Paragraph 2, Item (1), Sub-item b. and Item (2), Sub-item b., Paragraph 3, Item (2), and Paragraph 3 of the next rule shall be the values with the rights value being subtracted.

\* Includes cases where the contract values in Paragraph 1, Item (2), Paragraph 2, Item (1), Sub-item b. and Item (2), Sub-item b., Item (2) of the preceding paragraph (excluding when the customer does not receive delivery of money equivalent to such rights value in cases where the customer receives securities in accompaniment of such ex-right), and the contract value in Paragraph 3 of the next rule are agreed between the customer and the trading participant for conducting settlement.

#### **Rule 45. Computation Method of Deposited Margin Pertaining to Margin Transactions**

1. The total amount of deposited margin prescribed in Rule 39, Item (2), Paragraph 1, Item (1) of the preceding rule, Paragraph 2, Item (1), Sub-item a. and Item (2), Sub-item a. of the same rule, Paragraph 3, Item (1) of the same rule, and Rule 48 shall be computed by deducting the amount referred to in each of the following items; provided, however, that, in computation of the total amount of deposited margin as prescribed in Paragraph 2, Item (1), Sub-item a. of the preceding rule, the amount referred to in Item (1) for the margin transaction pertaining to the unsettled account to be settled shall not be deducted.
- (1) The amount equivalent to the total amount to be borne by the customer, including the amount corresponding to implicit losses computed by deducting profits from losses arising from fluctuations of the prices of the securities pertaining to margin transactions of such customer, the loss due to offsetting transactions and brokerage commissions, interest on loans, and the premium charge pertaining to borrowed securities (excluding the amount to be borne by the customer in accompaniment of ex-rights occurring on a security sold, when the total amount of deposited margin prescribed in Paragraph 1, Item (1) of the preceding rule is computed);
  - (2) In cases where the customer is provided with credit in addition to the provided credit

- equivalent to the contract value of securities pertaining to such customer's margin transactions, the amount equivalent to such additionally provided credit; and
- (3) In cases where the customer has remaining obligations to the trading participant even after the settlement of securities pertaining to the margin transactions of such customer (including loans and other obligations related to new claims and obligations with the trading participant), the amount equivalent to such remaining amount.
2. In computation of the total amount of deposited margin pertaining to margin transactions, the substitute price in cases where all or part of such deposited margin is substituted by securities shall be an amount obtained by multiplying the market price of such securities on the day prior to the calculation day by the ratio referred to in each item of Paragraph 2 of Rule 40.
3. Profit or loss arising from fluctuations of the market in Paragraph 1 shall be the difference between the contract value and the market price of the securities on the day prior to the calculation day (see Note 3 below).

(Note 3) The term "the market price of the securities on the day prior to the calculation date" means the final price on the day immediately preceding the calculation day (if a quote is displayed at the Exchange, such final quote price; the same shall apply hereinafter). If no contract value (including the final quote price displayed at the Exchange) on the immediately preceding day is available, the final price on the last day.

4. In cases where a profit due to offsetting transactions occurred, when money equivalent to such profit is to be received from a customer as security deposit pertaining to margin transactions at the time of settlement of unsettled accounts via such offsetting transactions, the total amount of deposited margin prescribed in Rule 39, Item (2), Paragraph 1, Item (1) of the preceding rule, Paragraph 2, Item (1), Sub-item a. and Item (2), Sub-item a. of the same rule, Paragraph 3, Item (1) of the same rule, and Rule 48 may be computed with the addition of the amount equivalent to such profit.
5. In cases of computing the total amount of deposited margin prescribed in Paragraph 3, Item (1) of the preceding rule with the addition of the amount equivalent to the profit in the preceding paragraph pursuant to the provisions of such paragraph, the provisions of such paragraph shall be applied, with the money equivalent to such profit being deemed to be money deposited as security deposit pertaining to margin transactions from such customer.

#### **Rule 46. Restriction on Withdrawal, etc. of Profit on Account Pertaining to Margin Transactions**

When an implicit profit arises from fluctuations of the prices of the securities pertaining to margin transactions of a customer, a trading participant shall not deliver money or securities corresponding to the amount of the profit or shall not appropriate them for an amount of money that should be submitted as security deposit.

#### **Rule 47. Additional Submission of Security Deposit Pertaining to Margin Transactions**

When an implicit loss arises from fluctuations of the prices of the securities pertaining to margin transactions of a customer, a trading participant may make the customer submit additional security deposit corresponding to that loss.

#### **Rule 48. Maintenance of Security Deposit Pertaining to Margin Transactions**

1. When the total amount of deposited margin pertaining to margin transactions becomes less than the amount obtained by multiplying the contract value of all securities pertaining to

margin transactions of the customer by 20/100, a trading participant must make such customer submit additional security deposit necessary to maintain an amount obtained by multiplying the contract value after such deduction by 20/100, by a date and time designated by the trading participant up to noon on the third day counting from the day on which such loss amount is incurred.

2. In cases where a customer files a request for settlement of an unsettled account subject to the implicit loss prescribed in the preceding paragraph by a date and time designated by the trading participant up to noon on the third day counting from the day on which the implicit loss occurred (in cases of other than by method of offsetting transactions, limited to cases where delivery of money or securities necessary for settlement was received), the trading participant may subtract the amount obtained by multiplying the contract value of securities for which such settlement request was filed by 20/100 from the security deposit that must be additionally deposited pursuant to the preceding paragraph.
3. In cases where a trading participant received deposit from the customer of an amount equivalent to (i) losses from offsetting transactions pertaining to an unsettled account subject to the implicit loss prescribed in Paragraph 1 and (ii) the amount to be borne by such customer pertaining to such unsettled account by a date and time designated by the trading participant up to noon on the third day counting from the day on which the implicit loss occurred, the trading participant may subtract these amounts from the security deposit that must be additionally deposited pursuant to the preceding paragraph during the period before the settlement of such offsetting transactions.

#### **Rule 49. Satisfaction of Securities in Cases of Rights, etc. to Receive Shares by Stock Splits, etc. Being Given**

Satisfaction of securities shall be made using share certificates (including investment trust beneficiary certificates and investment securities) with ex-rights in cases where rights to receive shares due to stock split, etc. (see Note 1 below), subscription warrants (see Note 2 below), or rights to receive allotment of subscription warrants (hereinafter referred to as "rights, etc. to receive shares due to stock split, etc.") are given to securities, and, furthermore, where the satisfaction deadline of securities loaned for margin transactions falls on a day following the allotment date of such rights, etc. to receive shares due to stock split, etc.

(Note 1) The term "rights to receive shares due to stock split, etc." means rights to receive shares due to stock split, rights to receive shares due to gratis allotment of shares, and rights to receive shares due to a demerger.

(Note 2) The term "subscription warrants" shall include new investment unit subscription warrants, rights to receive allotment of offered shares, and rights to receive allotment of preferred equity investment securities, new beneficiary rights, and rights represented by foreign stock depositary receipts.

#### **Rule 50. Adjustment in Cases of Rights, etc. to Receive Shares by Stock Splits, etc. Being Given**

1. When a trading participant continues lending money to a customer for standardized margin transactions concerning a security to which rights, etc. to receive shares is given due to stock split, etc., the amount of lent money shall be an amount obtained by deducting the price of rights, etc. to receive shares due to stock split, etc. specified by the Exchange from the contract value of a purchase (hereinafter referred to as the "rights handling price"). When lending of a security through a standardized margin transaction is continued, the trading

participant shall deduct the rights handling price specified by the Exchange from the amount of sale proceeds provided as collateral.

2. Notwithstanding the provisions of the preceding paragraph, in cases where rights to receive shares due to stock split or rights to receive shares due to gratis allotment of shares (see Note 1 below) are given to an issue under a standardized margin transaction (see Note 2 below) and, furthermore, where the number of new shares (see Note 3 below) of integral multiples of the trading unit specified by the Exchange are allotted, the quantity of a security to sell and the quantity of a security to purchase shall be adjusted into a quantity obtained by multiplying such quantity by the rate of such new share allotment plus one (1), and the sale price and the purchase price shall be adjusted into prices obtained by dividing such sale/purchase price by the rate of such new share allotment plus one (1).

(Note 1) This shall be limited to cases where given shares are the same type as shares of the issue under a standardized margin transaction.

(Note 2) This shall be limited to cases where the day following the record date to fix the persons who receive rights pertaining to such stock split or gratis allotment of shares falls on the day on which such stock split or gratis allotment of shares becomes effective.

(Note 3) If treasury shares are delivered, the new shares include such treasury shares.

#### **Rule 50-2. Unsettled Account of Standardized Margin Transactions in Another Market**

In cases where a trading participant and a customer has agreed that an unsettled account pertaining to standardized margin transactions by the customer in another market (see Note below) will be treated as an unsettled account pertaining to standardized margin transactions as specified by the Exchange, the unsettled account pertaining to such standardized margin transactions in another market and security deposit pertaining thereto shall be deemed to be an unsettled account pertaining to standardized margin transactions and security deposit pertaining thereto. In this case, the day on which a sale or a purchase in standardized margin transactions is made shall be the day on which a sale or a purchase in such standardized margin transactions in another market is made.

(Note) The term "standardized margin transaction by the customer in another market" means, out of margin transactions pertaining to securities transactions at a financial instruments exchange market established by another financial instruments exchange in Japan, margin transactions conducted pursuant to rules of such another financial instruments exchange with respect to premium charges and the deferred period of satisfaction; the same shall apply hereinafter.

## **CHAPTER 5**

### **MISCELLANEOUS RULES**

#### **Rule 51. Undertaking Fees of Off-Auction Distribution**

1. A trading participant who has accepted an order of off-auction distribution shall collect an acceptance fee of off-auction distribution according to the quantity sold in order to pay the handling charge of off-auction distribution to trading participants who have conducted purchases in accordance with such distribution, in addition to the fee pertaining to such distribution.



2. The acceptance fee of off-auction distribution shall be decided in an agreement between a trading participant who has accepted such distribution and the customer who entrusted it, and the amount of fee per unit shall be based on the unit specified by the Exchange.

#### **Rule 52. Delivery and Receipt of Money in Foreign Currencies**

If a trading participant agrees, delivery and receipt of money pertaining to securities trading between a customer and a trading participant may be made in a foreign currency designated by the customer.

#### **Rule 53. Measures to be Taken in Cases of Settlement Default by Customer**

1. A trading participant may, at its discretion, enter into a sale contract or a purchase contract (including their entrustment) for the account of a customer in order to carry out settlement for such trading or margin transactions in the following cases:
  - (a) The customer does not deliver a security sold or purchase money to a trading participant by a prescribed cutoff time;
  - (b) The customer does not deposit security deposit which should be deposited or an amount money corresponding to a loss when it arises concerning a when-issued transaction to the trading participant, or the customer does not deposit security deposit which should be deposited or money that should be paid with respect to margin transactions to the trading participant; or
  - (c) The customer does not repay loaned purchase consideration or return a security sold.
2. If a trading participant has suffered loss or damage as in the preceding paragraph, the trading participant may appropriate money and securities which it holds for the customer or which are recorded in an account under the Book-Entry Transfer Act for such loss or damage. If there is still a shortage after such appropriation, the trading participant may claim the payment of such shortage amount against the customer.

#### **Rule 54. Effect of Cancellation of Transactions, etc.**

1. In cases where the Exchange cancels a transaction, rights and obligations between a customer and a trading participant pertaining to such cancelled transaction shall be deemed as if they had not existed at all.
2. Even if a customer suffers loss or damage because the Exchange cancels a transaction, the customer may not claim compensation for the damage against the trading participant who has placed an erroneous order; provided, however, that the same shall not apply if willful intent or gross negligence on the part of the trading participant is deemed to have occurred at the time of placing the erroneous order.
3. Even if a customer suffers loss or damage because the Exchange cancels a transaction, the customer may not claim compensation for the damage to the Exchange; provided, however, that the same shall not apply if willful intent or gross negligence on the part of the Exchange is deemed to have occurred.

#### **Rule 55. Submission, etc. pertaining to Registration as Person Conducting Low Latency Trading**

1. After completing registration as a person conducting low latency trading, a customer (limited to those who conduct low latency trading (excluding trading participants); the same shall apply hereinafter in this paragraph through Paragraph 3) shall promptly submit to the Exchange a copy of proof of its registered trade name, business name, or name.
2. After completing registration as a person conducting low latency trading, a customer shall

promptly notify the Exchange of matters pertaining to a person who is the contact for the Exchange as specified in the following items in accordance with the classification referred to in each such item.

- (1) In the case where such customer is a low latency trader (meaning a low latency trader prescribed in Article 2, Paragraph 42 of the Act; the same shall apply hereinafter) that is a foreign legal person:  
Name and address, etc. of the domestic representative or domestic agent (meaning a domestic representative or domestic agent prescribed in Article 66-53, Item (5), Sub-item c. of the Act).
- (2) In the case where such customer is a low latency trader that is an individual resident in a foreign jurisdiction:  
Name and address, etc. of the domestic agent (meaning a domestic agent prescribed in Article 66-53, Item (6), Sub-item b. of the Act).
- (3) In cases other than those referred to in the preceding two (2) items:  
Name and address, etc. of a person who is appropriate as a contact for the Exchange.
3. After completing registration as a person conducting low latency trading, a customer shall submit to the Exchange without delay a copy of proof of documents, etc. as specified in the following items in accordance with the classification referred to in each such item.
  - (1) In the case where such customer is a financial instruments business operator:  
The document describing the contents and method of business specified by the Cabinet Office Ordinance as prescribed in Article 29-2, Paragraph 2, Item (2) of the Act.
  - (2) In the case where such customer is a registered financial institution:  
The document referred to in Article 33-3, Paragraph 2, Item (2) of the Act.
  - (3) In the case where such customer is an authorized transaction-at-exchange operator:  
The document referred to in Article 60-2, Paragraph 3, Item (2) of the Act.
  - (4) In cases other than those referred to in each of the preceding items:  
The document referred to in Article 66-51, Paragraph 2, Item (2) of the Act and the document describing matters such as operational personnel structure and business execution structure of the organization from among the documents referred to in Item (4) of the same paragraph.
4. In the case where a customer is an agent, such customer must implement appropriate measures to ensure its customer, who applies for brokerage of entrustment of securities trading related to low latency trading on the financial instruments exchange market established by the Exchange, (hereinafter referred to as the "agent's customer") conducts the following for documents and notices pertaining to said agent's customer: (i) submits to the Exchange the copy of proof prescribed in Paragraph 1, (ii) notifies the Exchange of the matters prescribed in each item of Paragraph 2, and (iii) submits to the Exchange the copy of documents prescribed in each item of the preceding paragraph.

#### **Rule 56 Requests to Persons Conducting Low Latency Trading**

1. A customer (limited to persons conducting low latency trading; the same shall apply in this paragraph) must respond to requests made to such customer by Japan Exchange Regulation (hereinafter referred to as "JPX-R") for operations entrusted by the Exchange to JPX-R pursuant to the provisions of Rule 78-4 of the Business Regulations.
2. In the case where a customer is an agent, such customer must implement appropriate measures to ensure its customer (which is the agent's customer) responds to requests made by JPX-R to said agent's customer for operations entrusted by the Exchange to JPX-R pursuant to the provisions of Rule 78-4 of the Business Regulations.