

**Rules concerning Securities in lieu of Security Deposit as Participant Bonds,
Trading Participant Security Money, and Trading Margin for When-issued
Transactions**
(as of May 1, 2018)

Tokyo Stock Exchange, Inc.

Rule 1. Purpose

These rules shall prescribe necessary matters on the types and substitute prices, etc. of securities which may be deposited in lieu of security deposit as participant bonds, trading participant security money, and trading margin for when-issued transactions pursuant to the provisions of Rule 12, Paragraph 3, and Rule 13, Paragraph 2 of the Trading Participant Regulations and Rule 17, Paragraph 2 of the Clearing and Settlement Regulations.

Rule 2. Types and Substitute Prices of Securities in lieu of Money

The types and substitute prices of the securities which may be deposited in lieu of security deposit as participant bonds, trading participant security money, and trading margin for when-issued transactions shall be as specified by Appendix.

Appendix

Table for Types and Substitute Prices, etc. of Securities in lieu of Money

1. The substitute prices of the securities specified in Rule 2 shall be obtained by the following calculation; [the market price on the day (if it falls on a holiday of the Exchange, it shall be moved up in order) two days before the day when said securities are deposited] x [a ratio set forth by the Exchange]. However, the Exchange may change substitute prices in the event that the Exchange deems it particularly necessary in cases where market prices drastically fluctuate, etc.
2. The securities' types, market prices, and ratios set forth by the Exchange as specified in the preceding paragraph shall be as follows.

Types of Securities	Market Prices	Ratios multiplied by market prices
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Government bonds (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); hereinafter the same), limited to those eligible for clearing by Japan Securities Clearing Corporation)	Government bonds whose statistical values for trading references are publicized by Japan Securities Dealers Association (hereinafter referred to as "JSDA")	Average value out of said statistical values for trading references (in the case of inflation-linked government bonds, the value obtained by multiplying said average value by an interlocking coefficient published by the Ministry of Finance)	95/100
	Out of government bonds whose statistical values for trading references are not publicized, those which are listed on any financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	
Government guaranteed bonds	Government guaranteed bonds whose statistical values for trading references are publicized by JSDA	Average value out of said statistical values for trading references	90/100
	Yen-denominated bonds specified in Rule 2-11 of the Enforcement Ordinance for the Financial Instruments and Exchange Act (Note 3)	Out of yen-denominated bonds whose statistical values for trading references are not publicized, those which are listed on any financial instruments exchange in Japan	
Municipal bonds (Note 3)	Municipal bonds whose statistical values for trading references are publicized by JSDA	Average value out of said statistical values for trading references values	85/100

Special bonds (excluding government guaranteed bonds) Corporate bonds (excluding corporate bonds with subscription warrants and exchangeable corporate bonds) (Notes 3 and 4)			
Yen-denominated foreign bonds (excluding yen-denominated bonds, convertible bonds, and exchangeable corporate bonds specified in Rule 2-11 of the Enforcement Ordinance for the Financial Instruments and Exchange Act) (Notes 3 and 5)	Out of yen-denominated foreign bonds whose statistical values for trading references are not publicized by JSDA, those which are listed on financial instruments markets in Japan	The final price (Note 2) at financial instruments exchanges (Note 1)	
Beneficiary certificates of public and corporate bond investment trusts	Beneficiary certificates of public and corporate bond investment trusts whose market prices on the previous day are publicized by the Investment Trusts Association, Japan (General Incorporated Association)	Said market price	

Convertible bonds (Notes 3 and 4) Exchangeable corporate bonds (Notes 3 and 6)	Convertible bonds which are listed on any financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	80/100
Stocks Preferred equity contribution securities (Note 7) Beneficiary certificates of foreign investment trusts Foreign investment securities Foreign stock depository receipts Beneficiary certificates of beneficiary certificate-issuing trusts Beneficiary certificates of foreign beneficiary certificate-issuing trusts	Stocks and preferred equity contribution securities which are listed on any financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	70/100

Investment trust beneficiary certificates (excluding beneficiary certificates of public and corporate bond investment trusts)	Investment trust beneficiary certificates which are listed on any financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	
Investment securities	Investment securities whose market prices on the previous day are publicized by the Investment Trusts Association, Japan (General Incorporated Association)	Said market price	

(Notes)

- (1) With respect to issues listed on two or more financial instruments exchanges, this shall be the exchange which is selected in accordance with the order set forth by the Exchange.
- (2) When a quote is displayed at said financial instruments exchange, the final price shall be said final quote price.
- (3) They shall be limited to securities for which an underwriting agreement has been entered into by a financial instruments firm at the time of issuance.
- (4) Corporate bonds (excluding corporate bonds with subscription warrants and exchangeable corporate bonds) and convertible bonds shall be limited to those issued by a company whose stocks are listed on a financial instruments exchange in Japan.
- (5) Convertible bonds mean, out of corporate bonds with subscription warrants, corporate bonds in cases where the object of the investment made at the time of exercising the subscription warrant is a corporate bonds pertaining to such corporate bonds with subscription warrants.
- (6) Exchangeable corporate bonds mean corporate bonds (including corporate bonds issued by foreign corporations) to be reimbursed by the stocks a specified company other than the issuer upon request of said exchangeable corporate bond holders.
- (7) Preferred equity contribution securities mean those issued by cooperative structured financial institutions.

3. The order specified by the Exchange as prescribed in the provisions of the preceding paragraph shall be as follows:
The first is a financial instruments exchange which has the largest trading volume (limited to the volume pertaining to regular transactions (meaning those set forth by each financial instruments exchange) effected during auction trading) of said issue among financial instruments exchanges from July to December every year if the day two days before said deposit date belongs to a period between February and July, or from January to June if said date belongs to a period between August and January of the following year. The order after the first shall be decided according to the order of the codes of exchanges / industry groups, etc. (meaning those specified by Securities Identification Code Committee).
4. A fraction of substitute prices shall be adjusted as follows:
 - (1) For stocks, preferred equity contribution securities, investment trust beneficiary certificates, beneficiary certificates of foreign investment trusts, investment securities, foreign investment securities, foreign stock depositary receipts, beneficiary certificates of beneficiary certificate issuing trusts, and beneficiary certificates of foreign beneficiary certificate issuing trusts, a fraction less than JPY 1 (one) shall be rounded down; and
 - (2) For securities other than those prescribed in the preceding item, a fraction less than JPY 1/100 (one hundredth) shall be rounded down.
5. Where trading participants deposit government bonds as prescribed in Paragraph 2 to the Exchange in lieu of money as participant bonds or trading participant security money, Japan Securities Clearing Corporation (hereinafter referred to as "JSCC") shall receive said government bonds on behalf of the Exchange. The trading participants shall make said deposits by transferring them to the account opened in the name of JSCC with the Bank of Japan.
6. Where trading participants deposit securities enumerated in each of the following items in lieu of money as participant bonds or trading participant security money to the Exchange, JSCC shall receive said securities on behalf of the Exchange. The trading participants shall make said deposits by transferring them to the account opened in the name of JSCC with Japan Securities Depository Center, Inc. (hereinafter referred to as "JASDEC").
 - (1) Bonds (excluding government bonds and corporate bonds with subscription warrants), convertible bonds, stocks, preferred equity contribution securities, investment trust beneficiary certificates, beneficiary certificates of foreign investment trusts, foreign investment securities, foreign stock depositary receipts, beneficiary certificates of beneficiary certificate issuing trusts, and beneficiary certificates of foreign beneficiary certificate issuing trusts
 - (2) Out of investment securities, those which are listed on any financial instruments exchange in Japan

7. The Exchange shall entrust reports to JASDEC pertaining to deposited securities enumerated in each of the following items to a trading participant which deposits such securities, and the entrusted trading participant shall make said reports to JASDEC. In this case, the entrusted trading participant may consign such reporting to other parties.
 - (1) Reporting on the entrustment state of administrating clerical work for special shareholders pertaining to stocks issued by domestic corporations
 - (2) Reporting on the entrustment state of administrating clerical work for special preferred equity contributors pertaining to preferred equity contribution securities
 - (3) Reporting on the entrustment state of administrating clerical work for special beneficiaries pertaining to investment trust beneficiary certificates
 - (4) Reporting on the entrustment state of administrating clerical work for special investors pertaining to investment securities
 - (5) Reporting on the entrustment state of administrating clerical work for special beneficiaries pertaining to beneficiary issuing trusts
8. Notwithstanding Paragraph 2, where a Japanese financial instruments exchange-listed stock (including preferred equity contribution securities, investment trust beneficiary certificates, beneficiary certificates of foreign investment trusts, investment securities, foreign investment securities, foreign stock depositary receipts, beneficiary certificates of beneficiary certificate issuing trusts, and beneficiary certificates of foreign beneficiary certificate issuing trusts; the same shall apply hereinafter) falls under the delisting criteria set forth by all the financial instruments exchanges in Japan where said stocks is listed (excluding cases enumerated in each of the following items), said stock and corporate bonds issued by the issuer of said stock (excluding said investment trust beneficiary certificates, beneficiary certificates of foreign investment trusts, foreign stock depositary receipts, beneficiary receipts of beneficiary certificate issuing trusts, and beneficiary certificates of foreign beneficiary certificate issuing trusts) shall be excluded from securities in lieu of money from the day (if it falls on a holiday, it shall be moved down in order) following the day when said stock falls under the delisting criteria.
 - (1) When the issuer of said stock becomes a wholly owned subsidiary of a company which is listed on any financial instruments exchange in Japan through share exchange or share transfer
 - (2) When the issuer of said stock is merged into a company which is listed on any financial instruments exchange in Japan
 - (3) When said stock is delisted and stocks to be issued in exchange for said delisted stock are expected to be listed immediately on any financial instruments exchange in Japan
9. The provisions of the preceding paragraph shall apply mutatis mutandis to a bond if the bond issuer loses the benefit of the term.