

Rules Concerning Trading Supervision Systems at Trading Participants to Prevent Unfair Trading

(As of April 1, 2020)

Osaka Exchange, Inc.

Rule 1. Purpose

1. These rules shall prescribe the necessary matters concerning trading supervision systems that Trading Participants shall establish in accordance with the provisions of Rule 21 of the Trading Participant Regulations.
2. The purpose of the establishment of trading supervision systems as referred to in the preceding paragraph is to prevent unfair trading at Trading Participants with regard to market derivatives trading on the OSE market, through the establishment of internal rules and implementation of any other necessary measures by Trading Participants, thereby ensuring trust in OSE and Trading Participants while contributing to the public interest and investor protection.

Rule 2. Establishment of Internal Rules

Trading Participants shall establish internal rules that define the matters enumerated in each of the following items with regard to trading supervision that Trading Participants conduct for the purpose of preventing unfair trading by their customers.

- (1) Matters concerning the departments responsible for trading supervision, and their powers and responsibilities
- (2) Matters concerning accurate identification of trends in and motives for customers' trading behavior, etc.
- (3) Matters concerning information to be taken into consideration in trading supervision
- (4) Matters concerning market surveillance of customers
- (5) Matters concerning measures to be taken on the basis of the results of market surveillance
- (6) Any other matters deemed necessary

Rule 3. Accurate Identification of Trends in and Motives for Customers' Trading Behavior, etc.

Trading Participants shall strive to accurately identify trends in and motives for customers' trading behavior, etc. by means of appropriate monitoring (meaning investigation related to financial products traded, trading methods, forms of trading, investment motives, investment experience, etc.).

Rule 4. Market Surveillance

1. Trading Participants shall implement market surveillance appropriately in consideration of matters such as forms of trading, etc., of customers.
2. In the case where, as a result of market surveillance implemented according to the provisions of the preceding paragraph, a transaction(s) that is likely to lead to unfair trading is identified, the Trading Participant shall caution the customer who has carried out said transaction(s) and, if there is no subsequent improvement, shall take appropriate action such as suspending the acceptance of orders from said customer.

Rule 5. Creation and Preservation, etc. of Internal Records

1. Trading Participants shall create internal records of the results of the market surveillance prescribed in Paragraph 1 of the preceding rule (excluding cases clearly not falling under unfair trading) and measures taken against customers, and keep them for a period of five (5) years.
2. With respect to customer orders placed via the Internet, other than the matters referred to in the preceding paragraph, Trading Participants shall obtain and keep information specified by OSE as necessary for ensuring the effectiveness of market surveillance in a manner set forth by OSE.

Rule 6. Review, etc. of Internal Rules

Trading Participants shall ensure the efficacy of the internal rules referred to in Rule 2 by ensuring a thorough understanding and awareness of said rules among their officers and employees and by means such as causing the departments responsible for trading supervision to review said rules in accordance with the market and the actual trading situation.

Rule 7. Supervision of Proprietary Trading

Trading Participants shall establish appropriate trading supervision systems for proprietary trading, taking into account the forms of trading, etc. they carry out.

Supplementary Provisions

These rules shall be implemented on April 1, 2020.