

# Partial Revision of Rules of Settlement by Delivery for Commodity Futures Transactions in Accordance with the Introduction of Invoice System to Japanese Consumption Tax

June 17, 2022

Osaka Exchange, Inc.

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## I. Purpose

With the introduction of the qualified invoice-based method (the invoice system) to the Japanese Consumption Tax from October 1, 2023, Osaka Exchange, Inc. (OSE) and Tokyo Commodity Exchange, Inc. (TOCOM) (hereinafter collectively referred to as the "Exchange"), will partially revise the rules of settlement by delivery for commodity futures transactions conducted in Japan, in light of the fact that a business issuer of qualified invoice must issue a qualified invoice in order for a receiver to receive tax credit for consumption tax on purchases.

## II. Outline

Item	Details	Remarks
1. Eligible Products	<ul style="list-style-type: none"> <li>• Physically delivered futures transactions involving the transfer of consumption tax are eligible.                             <ul style="list-style-type: none"> <li>➤ On OSE, gold, silver, platinum and palladium in the precious metals market, RSS in the rubber market, and soybean and azuki (red beans) in the agricultural products market</li> <li>➤ On TOCOM, gasoline, kerosene and gas oil in the Energy Market, and gasoline and kerosene in the Chukyo-oil Market</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The rules of settlement by delivery for TSR in the rubber market and corn in the agricultural products market will remain unchanged, as the consumption tax will not be charged at the time of settlement by delivery since the subject of the transaction is an uncustomed product.</li> </ul>
2. Conditions for Sellers	<ul style="list-style-type: none"> <li>• Deliverers (customers in the case of brokerage transactions and Trading Participants in the case of proprietary transactions) who conduct settlement by delivery in physically delivered futures transactions shall be limited to business issuers of qualified invoice.</li> </ul>	<ul style="list-style-type: none"> <li>• A business issuer of qualified invoice is a business operator defined in Article 2, Paragraph 1, Item 7-2 of Consumption Tax Law.</li> </ul>

Item	Details	Remarks
3. Notice of Registration Number	<ul style="list-style-type: none"> <li>• A customer who is a deliverer in settlement by delivery shall notify its Trading Participant of its registration number by the date and time designated by the Trading Participant on the day before the last trading day (to be moved up in order if the day falls on a non-business day).</li> <li>• A Trading Participant that is a deliverer in settlement by delivery shall notify the Exchange of its registration number, etc. (in the case of brokerage transactions, the name or corporate name and registration number of the customer; in the case of proprietary transactions, the registration number of the Trading Participant) by the time specified by the Exchange on the last trading day of each contract.</li> <li>• If a Trading Participant or its customer ceases to be a business issuer of qualified invoice after notifying the Exchange of its registration number, the Trading Participant shall promptly notify the Exchange.</li> </ul>	<ul style="list-style-type: none"> <li>• A registration number is a number specified in Article 57-2, Paragraph 4 of Consumption Tax Law.</li> <li>• A registration number shall be submitted to the Exchange by a Trading Participant through a system provided by the Exchange.</li> </ul>
4. Handling of Cases where a Selling Customer has not Notified a Trading Participant of its Registration Number	<ul style="list-style-type: none"> <li>• If a customer who has an open interest which is not settled (hereinafter referred to as "open interest") does not notify the Trading Participant of its registration number by the day before the last trading day of the most recent contract month or by the date designated by the Trading Participant, the Trading Participant shall settle its open interest by repurchase.</li> </ul>	

Item	Details	Remarks
5. Delivery of Qualified Invoice	<ul style="list-style-type: none"> <li>• A qualified invoice for settlement by delivery of domestic physically delivered futures transactions shall be prepared by the Exchange on behalf of the deliverer and provided to a receiver by electromagnetic record in accordance with the Special Provisions for Intermediary's Delivery. The deliverer will receive a settlement statement that omits the receiver's information from the qualified invoice (the "settlement statement").</li> <li>• A Trading Participant, who is a receiver, shall notify the Exchange of the name or corporate name to which a qualified invoice is to be delivered (the name or corporate name of its customer in the case of brokerage transactions and the name or corporate name of the Trading Participant in the case of proprietary transactions) by the time determined by the Exchange on the last trading day of each contract.</li> <li>• If the name or corporate name to which a qualified invoice is to be delivered is not provided by the receiving Trading Participant by the time designated by the Exchange, or if the registration number, etc. are not provided by the delivering Trading Participant, the Exchange will not deliver a qualified invoice and a settlement statement.</li> <li>• (Delivery of a qualified invoice by the Exchange to a receiver) <ul style="list-style-type: none"> <li>➤ The Exchange will deliver a qualified invoice to the receiving Trading Participant promptly after the delivery date.</li> <li>➤ In order to ensure anonymity, the qualified invoice delivered by the Exchange will not contain any information regarding the deliverer but will contain the Exchange's name and registration number in accordance with the Special Provisions for Intermediary's Delivery.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Special Provisions for Intermediary's Delivery refers to a rule under which an intermediary or agency delivers a qualified invoice on behalf of a selling party specified in Article 70-12 of the Consumption Tax Law Enforcement Order.</li> <li>• A system provided by the Exchange will be used to provide the name or corporate name to which a qualified invoice is to be delivered from a Trading Participant to the Exchange, and to deliver a qualified invoice, etc. from the Exchange to a Trading Participant.</li> </ul>

Item	Details	Remarks
	<ul style="list-style-type: none"> <li data-bbox="629 172 1529 300">➤ If a delivery of a receiver is made by a commission from a customer, the receiving Trading Participant shall deliver the qualified invoice delivered by the Exchange to the customer promptly.</li> <li data-bbox="584 368 1413 400">• (Delivery of a settlement statement from the Exchange to a deliverer)</li> <li data-bbox="629 416 1529 544">➤ The Exchange shall promptly deliver a settlement statement omitting the information of a receiver from a qualified invoice to a delivering Trading Participant promptly after the delivery date.</li> <li data-bbox="629 560 1529 687">➤ If a deliverer's delivery is made by a commission from a customer, the delivering Trading Participant shall deliver the settlement statement delivered by the Exchange to its customer promptly.</li> </ul>	

### III. Implementation Date (Planned)

Effective from October 1, 2023. The handling of II above will be effective upon settlement by delivery arriving on or after the effective date.

Gold Standard Futures, Silver Futures, Platinum Standard Futures and Palladium Futures	October 2023 contract month starting on October 27, 2022
Rubber (RSS3) Futures	October 2023 contract month starting on October 26, 2022
Soybean Futures	October 2023 contract month starting on October 17, 2022
Azuki (red beans) Futures	October 2023 contract month starting on April 26, 2023
Gasoline Futures, Kerosene Futures, Gas Oil Futures, Chukyo-Gasoline Futures and Chukyo-Kerosene Futures	October 2023 contract month starting on March 27, 2023