

March 30, 2021
Tokyo Commodity Exchange, Inc.

Points of Consideration when Deciding on Sanctions

The Commodity Derivatives Transaction Act stipulates that a commodity exchange must perform self-regulatory operations in an appropriate manner in order to ensure the fairness of transactions on the commodity market, as well as to protect entrustors. If a member of Tokyo Commodity Exchange, Inc. (hereinafter "the Exchange") violates laws and regulations as well as the rules, etc. of the Exchange (hereinafter "laws and regulations, etc."), the Exchange shall impose a sanction in accordance with the details of such violation pursuant to the provisions of the Market Rules of the Exchange.

The purpose of sanction is to protect the public interest and investors in the Exchange market. In order to achieve this purpose, the Exchange considers it important to (i) prevent the member who has committed an act subject to sanction (hereinafter "violation") from committing similar acts and (ii) prevent other members from committing similar acts though raising awareness of the violation, thereby enhancing the quality of members of the Exchange.

With these aims in mind, the Exchange has compiled points to be considered when deciding whether to impose a sanction and, if so, its details. These points of consideration serve as a set of guidelines when the Exchange decides the details of sanctions. With this, predictability for members and transparency will increase, thereby contributing to the appropriateness of sanctions by the Exchange as well as the maintenance and improvement of the fairness and credibility of the Exchange market.

Due to the diversity in actual cases subject to sanctions, the following matters may not necessarily apply when considering all cases. It must be noted that the following matters are points that are generally considered when deciding the details of sanctions, and that the matters that apply will vary depending on the details of the case. Other matters may also be taken into account where deemed necessary.

(Reference Translation)

1. Degree of Intent and Negligence of Individuals Involved in the Violation

In addition to determining whether a violation was committed intentionally or caused by carelessness or negligence in transactions or acceptance of entrustment, the Exchange considers the degree of such intent, carelessness, or negligence.

2. Range of Individuals Involved in the Violation

The Exchange considers the number and positions of the individuals involved in the violation and the extent of their involvements in order to determine whether the violation was committed at an individual or organizational level. Even if a small number of individuals were actually involved in the violation, the Exchange will conclude that the violation was committed as an organization if it finds that any executive permitted or overlooked the violation or any senior level managerial staff was involved.

3. Background of the Violation

The Exchange considers whether the individuals involved committed the violation for the purpose of obtaining economic or other benefits, or whether it was committed due to a lack of awareness or understanding of the regulations. In the latter case, the Exchange also takes into account whether the individuals sought opinion or advice, etc. from an attorney-at-law, a certified public accountant, or other professionals when committing the act.

4. Whether the Member had Previously been Sanctioned for a Similar Case

In principle, if the member had previously been sanctioned by the Exchange for a similar case (hereinafter "repeated offense"), the Exchange will impose a stricter sanction. If the member had been subject to disciplinary action for a similar case by other self-regulatory organizations or administrative authorities (hereinafter collectively "other regulatory bodies"), the Exchange will take into account the member's response to such disciplinary action. If the Exchange comes to the conclusion that the member's response was inadequate, the current violation may be considered a repeated offense.

5. Whether the Member had been Cautioned and Whether Other Members, etc. had been Sanctioned for a Similar Case

If the member had received a cautionary notice, etc. from the Exchange or other regulatory bodies for a similar case, the Exchange will consider the member's response to the cautionary notice, etc. If the Exchange comes to the conclusion that the member's current violation is a result of an inadequate response to the cautionary notice, etc., the

(Reference Translation)

current violation may be considered a repeated offense. If the member submitted an improvement report, etc. to the Exchange, the Exchange will examine the status of improvement. In addition, if other members, etc. had been sanctioned by the Exchange or other regulatory bodies for a similar case, the violation may be handled in a similar manner.

6. Impact of Violation on the Exchange Market

The Exchange takes into account whether the violation had an impact on prices or volumes of transactions in the Exchange market, or investment decisions of other members or general investors. If the Exchange finds that the violation did have such impact, the extent of the impact will be considered.

7. Whether the Violation Undermines Confidence in the Exchange or Other Members

The Exchange will impose a stricter sanction if it concludes that the violation raises doubts over the quality associated with being a member and, as a result, undermines confidence in the Exchange or other members.

8. Relationship of Laws and Regulations, etc. with Sanctions

When a member violates the laws and regulations, the Exchange will, in principle, impose a stricter sanction for a violation that falls under a criminal offence than one subject to an administrative disposition. Also, when a member violates an Exchange rule(s), the Exchange will impose a stricter sanction for a violation that significantly undermines the mutual trust between the Exchange and the member.

9. Treatment of Multiple Violations

If multiple violations are identified, the Exchange will impose a sanction for each violation. However, if the violations are related and it is deemed appropriate that they should essentially be dealt with as a single case, the Exchange will consider them as one violation when deciding the details of the sanction.

10. Duration, Frequency, and Scale of the Violation, and its Impact on Customers

The Exchange will impose a stricter sanction if it comes to the conclusion that the violation was committed over an extended period of time, more than once, or on a large scale. The Exchange also considers the extent of losses or lost earnings incurred by the customer(s). In such cases, the Exchange also takes into account the investment

(Reference Translation)

knowledge and experience of the customer(s).

11. Internal Management System of the Member

The Exchange takes into consideration whether a member subject to a sanction had developed an appropriate internal management system and had conducted sufficient management oversight to prevent the violation. In such a case, the Exchange identifies the individuals involved in the violation as far as possible and scrutinizes the actual circumstances and the system of checks by their managers and the compliance division, etc. Furthermore, the Exchange also takes into consideration the attitudes of executives toward the violation as well as preventive instructions, locus of responsibilities, and in-house training, etc.

12. Corrective Response by the Member

The Exchange considers whether the individuals involved in the violation took the initiative to report it to their managers or the compliance division, etc. or whether the member identified the violation and then took necessary and adequate measures before it was discovered by the Exchange or other regulatory bodies.

13. Acknowledgment of Own Responsibility by the Member and Individuals Involved in the Violation

The Exchange considers whether the individuals involved in the violation, their managers, the person chiefly responsible for internal management, or executives, etc. recognize their own responsibility in the violation.

14. Economic Benefit Gained from the Violation

When a violation results in economic or other profits, the Exchange decides the details of the sanction (the amount of a fine, etc.) so as to ensure that the member does not benefit from such profits.

15. Effectiveness of Recurrence Prevention

The Exchange will cancel the membership of a member if it comes to the conclusion that there is no way the member can construct an internal management system that will adequately prevent the recurrence of similar violations. If the Exchange determines that it will take time for the member to construct such a system and that the existing inadequacies in the system would have significantly adverse effects on the Exchange market, the Exchange will suspend or restrict transactions by the member on the

(Reference Translation)

Exchange market until an adequate internal management system has been established.

16. Disciplinary Action by Other Regulatory Bodies

If it can be ascertained that some other regulatory body has taken or will take action equivalent to disciplinary action against the violation, the Exchange will take into account the details of such actions in considering its sanction.

17. Cooperation in Investigations, etc. by the Exchange

Members are required to cooperate in investigations into a violation by the Exchange. Thus, if the Exchange comes to a conclusion that the member had hindered investigations, concealed information, provided false documents, or impeded investigations in any way, and did not sufficiently nor reasonably cooperate in the investigations, the Exchange will consider such circumstances when deciding the details of the sanction.