

Detailed Rules for Audits on Trading Participants

(As of January 1, 2023)

Tokyo Commodity Exchange, Inc.

Rule 1 (Purpose)

1. These Rules shall, based on the provisions of Rule 3, Paragraph 12 of the Market Rules, prescribe matters necessary for audits on Trading Participants.
2. Audits pursuant to the preceding paragraph are aimed at contributing to the fairness of the Exchange markets and appropriate implementation of the commodity futures trading business through investigating and identifying the situation around, among other things, Trading Participants' compliance with laws and regulations, orders pursuant to laws and regulations, dispositions that were taken by the competent ministry pursuant to laws and regulations, the Exchange's Market Rules, any other rules and regulations, and the Just and Equitable Principles of Trade, as well as Trading Participants' business and/or financial conditions.

Rule 2 (Auditor)

1. Audits shall be carried out by an employee of the Exchange who is appointed by an executive director in charge of self-regulation (hereinafter referred to as an "auditor"); provided, however, that an assistant shall be employed in cases where the Exchange deems it necessary.

Rule 3 (Authority of Auditor)

1. Auditors may require officers or employees of a Trading Participant to present or allow inspection of their ledgers, documents and other rules, or submit materials or explain the facts and prepare written documents stating the details of such explanation.

Rule 4 (Duty of Auditor)

1 / 4

DISCLAIMER: This English translation is being provided for informational purposes only and represents a desire by the Exchange to promote better understanding of the Exchange by non-resident participants. While care has been taken to ensure that the translation is accurate and complete, Tokyo Commodity Exchange, Inc. accepts no liability or responsibility for any loss or damages, including trading losses, that may be incurred from any inaccuracy or omission in the English translation. In the event of discrepancies between the English version and the original Japanese version, the Japanese version shall prevail. Any dispute that may arise within or without a court of law with regard to the meaning of the words, provisions and stipulations of the rules, regulations and agreements shall be resolved in accordance with the Japanese texts.

1. An auditor shall observe the matters referred to in each of the following items.
 - (1) All the audits shall be carried out on the basis of facts.
 - (2) Auditors shall always be fair when they find facts, make decisions on handling and express opinions.
 - (3) Auditors shall not divulge any secrets they have learned in the course of their duties to anyone else without a justifiable reason.

Rule 5 (Duty of Trading Participants)

1. In cases where officers and employees of a Trading Participant receive a request from an auditor as prescribed in Rule 3, they may not refuse said request without legitimate reasons.

Rule 6 (Notice of Audit Plans)

1. The Exchange will notify Trading Participants in advance of its audit plan for every business year.

Rule 7 (Audit Method)

1. Audit shall be carried out by field audit at the head office or other sales offices, or principal business office or other business offices (hereinafter referred to as "Offices"); provided, however, that in cases where permitted by the Exchange, it shall be carried out by remote audit through auditing documents submitted by said Trading Participant to the Exchange.
2. The Exchange may carry out an audit pursuant to the preceding rule on a Trading Participant whenever it deems necessary.
3. The Exchange may, where necessary, carry out an audit jointly with other commodity exchanges and the Commodity Futures Association of Japan.

Rule 8 (Audit Notice)

1. In cases where the Exchange carries out a field audit at the Office of a Trading Participant, it will notify the Trading Participant of the commencement day and the method of audit, name of the auditor, and other necessary matters; provided, however, that the Exchange may carry out the audit without any notification if it deems necessary.

Rule 9 (Presentation of Auditor Identification Card)

1. An auditor shall present their auditor identification card for commencement of the audit.

Rule 10 (Finding of Facts)

1. Finding of facts as prescribed in Rule 4, Paragraph 1, Item 2 shall be as specified in each of the following items.

- (1) In cases where there is a difference in the recognition of a fact found by an auditor between said auditor and the Trading Participant, the Exchange will accept a written appeal from said Trading Participant.
- (2) In cases where the Exchange has accepted an appeal pursuant to the previous item, it shall carry out proceedings to determine the truth of said fact in a fair manner.
- (3) In cases when the Exchange carries out proceedings pursuant to the preceding item, it will require the Trading Participant and the auditor to submit reports or materials that will be necessary references for the fact finding, or conduct a hearing, as necessary.
- (4) When the Exchange has decided the results of the proceedings pursuant to Item 2, it shall notify the relevant Trading Participant of said results without delay.

Rule 11 (Issuing Cautions)

1. In cases where the Exchange deems that an action of a Trading Participant violates or is likely to violate any laws, regulations and/or dispositions as a result of the audit, the Exchange shall issue a caution against the Trading Participant when it deems necessary except in cases where it imposes sanctions pursuant to the provisions of Rule 153, Paragraph 1 of the Market Rules on said Trading Participant.
2. In cases where the Exchange issues a caution against a Trading Participant pursuant to the provisions of the preceding paragraph and deems it necessary, it shall require said Trading Participant to submit a written report about its improvement measures and other necessary matters.
3. The Exchange shall decide whether to issue cautions pursuant to the provisions of Paragraph 1 in comprehensive consideration of the existence and degree of intent or negligence of the officers or employees as well as other circumstances of the relevant Trading Participant.

Rule 12 (Demand, etc.)

1. In cases where, as a result of an audit, the Exchange deems that a Trading Participant's business of trading on the Exchange markets, other business operated by said Trading Participant, or business operated by other legal entities controlled by said Trading Participant, or the Trading Participant's financial conditions, among other things, are inappropriate or are likely to become inappropriate in light of the purpose of the Exchange or operation of the Exchange markets, it shall demand that said Trading Participant take necessary measures to improve said situation except in cases where the Exchange issues a recommendation to said Trading Participant pursuant to the provisions of Rule 166, Paragraph 1 of the Market Rules.
2. In cases where the Exchange makes a demand pursuant to the provisions of the preceding paragraph and deems it appropriate, it shall require said Trading Participant to submit a written report about its improvement measures and other necessary matters.

3. The Exchange shall decide whether to make a demand pursuant to the provisions of Paragraph 1 in comprehensive consideration of the internal management system as well as other circumstances of the relevant Trading Participant.

Rule 13 (Notice of Audit Results)

Where the Exchange completes an audit, it shall notify the relevant Trading Participant of the results of said audit.

Rule 14 (Revision or Abolition)

1. Revision or abolition of these guidelines shall be approved by the Representative Director, President.

Supplementary Provisions

These Rules shall take effect on December 1, 2019.

Supplementary Provisions

These revisions shall take effect on July 27, 2020.

Supplementary Provisions

These revisions shall take effect on July 27, 2021.

Supplementary Provisions

These revisions shall take effect on January 31, 2022.

Supplementary Provisions

These revisions shall take effect on January 1, 2023.