

## Detailed Rules on Integrated Management of Margin, etc. by Specified Members for Trading in Commodity Market and Commodity-Related Market Derivatives

(As of July 27, 2020)

Tokyo Commodity Exchange, Inc.

### Rule 1 (Integrated Management of Margin, etc. by Specified Members)

1. Broker Trading Participants (limited to those who are Clearing Participants of Japan Securities Clearing Corporation (hereinafter referred to as "JSCC")) who are Specified Members (meaning Specified Members prescribed in Article 4 of the Supplementary Provisions of the Act for the Amendment of the Financial Instruments and Exchange Act (Act No. 86 of 2012; hereinafter referred to as the "Revised Financial Instruments and Exchange Act"); the same shall apply hereinafter) may engage in the integrated management of margin, etc. for customers who have set up an account pertaining to trading in the commodity market of the Exchange and an account pertaining to trading in commodity-related market derivatives on the financial instruments exchange markets established by Osaka Exchange, Inc. (meaning transactions specified in Article 2, Paragraph 8, Item 1 of the Financial Instruments and Exchange Act) (such an account is hereinafter referred to as a Futures/Options Trading Account) ("integrated management of margin, etc." means when customers who set up an account pertaining to trading in the commodity market and a Futures/Options Trading Account (limited to an account in which appropriate measures are in place to avoid trading other than commodity-related market derivatives trading) conduct the handling prescribed in each item below regarding the margin, etc. to be deposited with Broker Trading Participants who are Specified Members; the same shall apply hereinafter).
- (1) In cases where a Broker Trading Participant who is a Specified Member receives a deposit of margin (limited to money and securities available for use as both substitute securities for clearing margin pertaining to trading in the commodity market and substitute securities for clearing margin pertaining to trading in commodity-related market derivatives) from a customer, it shall receive the entire deposit as customer margin for trading in commodity-related market derivatives.

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.

- (2) A Broker Trading Participant who is a Specified Member shall deposit clearing margin equivalent to or greater than that of the customer margin received from a customer pursuant to the preceding item in each account of JSCC pertaining to trading in the commodity market (hereinafter referred to as "Clearing Margin Accounts Under the Commodity Derivatives Act") and pertaining to trading in commodity-related market derivatives (hereinafter referred to as "Clearing Margin Accounts Under the Financial Instruments and Exchange Act"). In such a case, the amount of the deposit in each account shall be equivalent to or greater than the required amount of clearing margin as prescribed by JSCC and the allocation to each account shall be conducted at a proportion deemed appropriate by the Broker Trading Participant who is a Specified Member.
- (3) In cases where the amount of deposit in the JSCC Clearing Margin Account Under the Commodity Derivatives Act or the Clearing Margin Account Under the Financial Instruments and Exchange Act exceeds the required amount of the clearing margin prescribed by JSCC, the Broker Trading Participant who is a Specified Member may transfer up to the excess amount to the other account.
- (4) A Broker Trading Participant who is a Specified Member shall aggregate the mark to market gains/losses and trading gains/losses from trading in the commodity market and trading in commodity-related market derivatives and manage them in an account which allows integrated management of margin, etc. Said Broker Trading Participant shall manage said aggregated gains/losses as clearing margin in the Clearing Margin Account Under the Commodity Derivatives Act and the Clearing Margin Account Under the Financial Instruments and Exchange Act.
- (5) In cases where there is a shortage (including cash deficiency) of either of the amounts of said customer's margin pertaining to trading in the commodity market or trading in commodity-related market derivatives and there is a surplus of the amount of margin, etc. in the other account, a Broker Trading Participant who is a Specified Member shall appropriate said surplus up to the surplus amount for said shortage (limited to cash in the case of a cash deficiency).
- (6) In cases where a Broker Trading Participant who is a Specified Member calculates the excess or shortage of margin (including calculation pertaining to cash deficiency; the same shall apply in the following item) in the account for integrated management of margin, etc., it shall calculate these by aggregating mark to market gains/losses and trading gains/losses from trading in the commodity market and trading in commodity-related market derivatives.
- (7) In cases where there is a shortage (including cash deficiency) in margin due to the result of the excess/shortage calculation pursuant to the preceding item and said customer does not deposit said shortage amount by the required date and time, a Broker Trading Participant who is a Specified Member may dispose of the positions pertaining to trading in the commodity market and trading in commodity-related market derivatives for said customer's account.

- (8) In cases where a Broker Trading Participant who is a Specified Member returns the excess amount of margin pertaining to said customer, the Broker Trading Participant shall receive the return of the clearing margin from JSCC's Clearing Margin Account Under the Commodity Derivatives Act or JSCC's Clearing Margin Account Under the Financial Instruments and Exchange Act. The allocation of which of JSCC's accounts the excess amount of margin is returned from shall be conducted based on the proportion deemed appropriate by the Broker Trading Participant who is a Specified Member.

### **Rule 2 Conclusion of Special Agreement**

1. In cases where a Broker Trading Participant who is a Specified Member engages in integrated management of margin, etc., said Broker Trading Participant shall conclude a special agreement pertaining to integrated management of margin, etc., in writing or by electromagnetic means (meaning means using electronic information processing facilities or any other communications technologies that are similar to the means stipulated in Article 41, Paragraph 3 of the Regulation for Enforcement of the Commodity Derivatives Transaction Act), with the customer subject to said integrated management of margin, etc.

### **Rule 3 Development of Management System**

1. A Broker Trading Participant who engages in integrated management of margin, etc. shall develop an appropriate management system to engage in said integrated management of margin, etc.

### **Rule 4 Application to Brokers**

1. In cases where a customer of a Broker Trading Participant (limited to a customer who is a Specified Member), as a Broker, engages in integrated management of margin, etc. prescribed in Rule 1 with regard to margin deposited by a Customer of Broker, said Broker Trading Participant shall have said Broker promise that said Broker will manage margin, etc. of the Customer of Broker in accordance with the provisions of this chapter. In addition, the Broker Trading Participant shall develop a management system necessary for said Broker to engage in the integrated management of margin, etc. appropriately.
2. Said Broker prescribed in the preceding paragraph shall read "Broker Trading Participant" and "Customer" in each item of Rule 1, Rule 2 and the preceding Rule as "Broker" and "Customer of Broker" respectively. In addition, for deposit and management of clearing margin that is equivalent to or greater than customer margin with JSCC, brokerage consignment shall be handled within the relationship with a Broker Trading Participant who accepts consignment from said Broker.

### **Rule 5 (Revision or Abolition)**

## Reference Translation

1. Revision or abolition of this Procedure shall be approved by the Representative Director, President.

### **Supplementary Provisions**

These Detailed Rules shall take effect on July 27, 2020.