Rules Concerning Trading Supervision Systems at Trading Participants to Prevent Unfair Trading
(as of January 1, 2012)

Tokyo Stock 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 22-2 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 by trading participants with regard to securities trading (limited to trading of stocks, convertible bonds, and exchangeable corporate bonds as specified in Rule 2, Paragraph 1 of the Business Regulations) on the Exchange market, through the establishment of internal rules and implementation of any other necessary measures by trading participants, thereby ensuring trust in the Exchange and trading participants while contributing to the public interest and the investor protection.

Rule 2. Establishment of Internal Rules
Trading participants shall establish internal rules that define the matters referred to in each of the following items with regard to the 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 motives for and trends in customers’ trading behavior
(3) Matters concerning information to be taken into consideration in trading supervision
(4) Matters concerning identification of customers as targets for market surveillance
(5) Matters concerning market surveillance of customers
(6) Matters concerning measures to be taken on the basis of the results of market surveillance
(7) Any other matters deemed necessary

Rule 3. Accurate Identification of Motives for and Trends in Customers’ Trading Behavior
Trading participants shall strive to accurately identify motives for and trends in customers’ trading behavior by means of appropriate monitoring (of financial products traded, trading methods, forms of trading, investment motives, investment experience, etc.).

Rule 4. Market Surveillance

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Trading participants shall conduct market surveillance in accordance with the provisions of each of the following items.

(1) 売買審査の対象となる顧客の抽出は、別表「売買審査の対象となる顧客の抽出に関する表」に掲げる銘柄及び顧客について、当取引所が別に定める抽出基準に従い行うものとする。ただし、別表「売買審査の対象となる顧客の抽出に関する表」5に掲げる銘柄及び顧客を除き、当該抽出基準によることが過重な経済的負担を必要とする場合その他の当該抽出基準により売買審査を行うことが困難と認められる場合には、当該取引参加者における顧客管理体制等を勘案し、適切と認められる抽出基準に変更することができるものとする。

Trading participants shall identify customers as targets for market surveillance with regard to the categories of issues and customers referred to in the Appendix "Table for Identification of Customers as Targets for Market Surveillance" in accordance with the identification criteria set forth separately by the Exchange. Provided, however, except for issues and customers referred to in item 5 of the Appendix "Table for Identification of Customers as Targets for Market Surveillance", in cases where it would be difficult to conduct market surveillance in accordance with said identification criteria, including cases where the use of said identification criteria would represent an excessive financial burden, the trading participant in question may be permitted to use other appropriate identification criteria, taking into consideration the customer management systems, etc. at said trading participant.

(2) 前号ただし書の規定にかかわらず、非対面取引(顧客がインターネット等を利用することによりその顧客の注文が機械的に認識又は処理される取引をいう。以下同じ。)については、当取引所が別に定める抽出基準に従い抽出される顧客の数が一般的に適切と評価される売買審査の体制を勘案し過大であり、かつ、当取引所が別に定める分析に係る項目に従い売買審査を併せ行うこと等により、前号本文の規定により抽出される顧客に対して審査を行った結果と比較して、同程度の審査結果が得られると認められる場合を除き、当該抽出基準を変更することができないものとする。

Notwithstanding the proviso of the preceding paragraph, with respect to non-face-to-face transactions (meaning transactions in which the customer uses the Internet, etc. to place an order and the order is acknowledged or processed mechanically; hereinafter the same), except for cases where the number of customers identified in accordance with the identification criteria specified separately by the Exchange would be excessively large for market surveillance systems and structures generally considered to be appropriate, and it is deemed that the results obtained through market surveillance conducted in accordance with modified identification criteria together with matters concerning analysis set forth separately by the Exchange would be similar to the results of market surveillance of customers identified in accordance with the provisions of the main clause of the preceding item, trading participants shall not be permitted to modify the identification criteria.

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(3) 前2号により抽出された顧客が行った取引については、当取引所が別に定める分析に係る項目その他の項目のうち必要なものについて売買審査を行うものとする。

Market surveillance of transactions carried out by customers identified in accordance with the preceding two (2) items shall be carried out on, out of matters such as those concerning analysis set forth separately by the Exchange, matters deemed necessary.

(4) 前号に定める売買審査を行った結果、不公正取引につながるおそれがあると認識した場合には、当該取引を行った顧客に対し注意の喚起を行い、その後も改善が見られない場合には、当該顧客に対して注文の受託の停止その他の適切な措置を講じなければならない。

In cases where, as a result of the market surveillance specified in the preceding item, it is deemed that the relevant transaction(s) is likely to lead to unfair trading, the trading participant must caution the customer who has carried out said transaction(s) and, if there is no subsequent improvement, take appropriate measures against said customer, such as suspending the acceptance of orders from said customer.

(5) 第3号に定める売買審査を行った結果、内部者取引のおそれがあると認識した場合には、当取引所が定めるところにより、次の a 及び b に掲げる事項を当取引所に遅滞なく報告しなければならない。

a 売買審査の結果
b 顧客に対して注意の喚起を行い、又は注文の受託の停止その他の措置を講じた場合においては、当該注意喚起又は措置の内容

In cases where a trading participant identifies transactions that may fall under insider trading as a result of the market surveillance specified in Item (3), the trading participant shall report matters referred to in the following Sub-items a. and b. to the Exchange without delay as specified by the Exchange.

a. Results of the market surveillance
b. In cases where the trading participant has cautioned the customer or taken measures against said customer, such as suspending acceptance of orders from said customer, the details of said caution or measures

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

1. Trading participants shall create internal records of the matters referred to below and keep these records for a period of five (5) years.

(1) The reasons for modification of identification criteria in cases where the identification criteria for non-face-to-face transactions have been modified
(2) The results of the market surveillance prescribed in Item (3) of the preceding rule (except for cases where it is clear that trading of customers does not fall under unfair trading) and the measures taken against customers

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 the Exchange as necessary for ensuring the effectiveness of market surveillance in a manner set forth by the Exchange.
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 officers and employees and by means such as causing the departments responsible for trading supervision to review said rules in accordance with the actual situations of the market and trading activities.

Rule 7. Supervision of Proprietary Trading
Trading participants shall establish appropriate trading supervision systems for proprietary trading, taking into account of the forms of trading, etc. they carry out.
**Appendix**

**Table for Identification of Customers as Targets for Market Surveillance**

The customers to be identified as targets for market surveillance shall be that corresponding to each category of issue referred to in the table below.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Issues in which the trading participant has a high degree of</td>
<td>Customers with high degrees of involvement in trading of any specific issue</td>
</tr>
<tr>
<td>involvement in trading</td>
<td></td>
</tr>
<tr>
<td>2 Issues in which the trading participant carried out transactions</td>
<td>Customers who carried out transactions in any specific issue</td>
</tr>
<tr>
<td>within a given time frame that includes the end of a session</td>
<td>within a given time frame that includes the end of a session</td>
</tr>
<tr>
<td>3 Issues in which the trading participant carried out buy and sell</td>
<td>Customers who carried out buy and sell transactions in any specific issue</td>
</tr>
<tr>
<td>transactions at the same time and at the same price</td>
<td>at the same time and at the same price</td>
</tr>
<tr>
<td>4 Issues in which the trading participant made a significant</td>
<td>Customers who made a significant cancellation of orders or change of</td>
</tr>
<tr>
<td>cancellation of orders or change of orders to inferior prices</td>
<td>orders to inferior prices for any specific issue</td>
</tr>
<tr>
<td>5 Issues in which the trading participant traded before</td>
<td>Out of customers who traded before material facts, etc. were announced,</td>
</tr>
<tr>
<td>material facts, etc. were announced</td>
<td>those suspected of having engaged in insider trading in consideration of</td>
</tr>
<tr>
<td></td>
<td>trading activities, etc.</td>
</tr>
<tr>
<td>6 All issues in which the trading participant carried out</td>
<td>Customers on whom financial instruments exchanges or trading</td>
</tr>
<tr>
<td>transactions</td>
<td>participants, etc. provide information regarding suspicions of unfair</td>
</tr>
<tr>
<td></td>
<td>trading</td>
</tr>
<tr>
<td>7 All issues in which the trading participant carried out</td>
<td>Customers suspected of having engaged in other unfair trading</td>
</tr>
<tr>
<td>transactions</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. For items 1 through 4 in the above table, customers may be identified as targets for market surveillance with respect to all issues in which the trading participant has carried out transactions.
2. "Material facts, etc." prescribed in item 5 in the above table mean material facts prescribed in Article 166, Paragraph 1 of the Act and the fact concerning tender offer, etc. prescribed in Article 167, Paragraph 3 of the Act.

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3. In the case of discretionary investment contracts as specified in Rule 2, Paragraph 8, Item (12), Sub-item (b) of the Act or actions referred to in Rule 123, Paragraph 1, Item (13), Sub-items (a) through (e) of the "Cabinet Office Ordinance on Financial Instruments Business, etc." (Cabinet Office Ordinance No. 52 of 2007), the customer in question may be excluded from the scope of identification as targets for market surveillance.

4. Except for item 5, with respect to transactions not conducted in the trading sessions as specified by the Exchange and transactions outside the Exchange markets, the customer in question may be excluded from the identification as targets for market surveillance.