

(Reference Translation)

RULES CONCERNING SECURITIES IN LIEU OF CASH FOR GUARANTEE FUNDS AND
TRADING PARTICIPANT SECURITY MONEY

**Rules Concerning Securities in Lieu of Cash for Guarantee Funds and Trading
Participant Security Money**

(As of May 1, 2018)

Osaka Exchange Inc.

Rule 1. Purpose

These Rules shall specify necessary matters on types of securities that may be deposited as Guarantee Fund and Trading Participant Security Money in lieu of cash, substitute prices thereof and other matters pursuant to the provisions of Rule 11, Paragraph 2 and Rule 11-2, Paragraph 2 of the Trading Participant Regulations.

Rule 2. Types of Securities in Lieu of Cash and Substitute Prices

Types of securities that may be deposited as Guarantee Fund and Trading Participant Security Money in lieu of cash and substitute prices thereof shall be as specified in the appended table.

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Appended Table

Table for Types of Securities in Lieu of Cash and Substitute Prices Thereof, etc.

1. Substitute prices of securities shall be obtained by multiplying the market price as of the day (one business day earlier if the day falls on a non-business day) two days before the day when the relevant securities are deposited by the ratio specified by OSE; provided, however, that OSE may change the substitute price pursuant to the provisions of Rule 11, Paragraph 3, Item (2) or Rule 11-2, Paragraph 3 of the Trading Participant Regulations.
2. Types of securities, market prices and the ratios specified by OSE pursuant to the preceding paragraph shall be as follows.

Types of Securities		Market Price	Ratio to be Multiplied by the Market Price
Government bonds (in the case of inflation-indexed government bonds (meaning inflation-indexed bonds prescribed in Article 1 of the Ministerial Order Concerning Treatment of Inflation-Indexed Bonds (Ministry of Finance Order No. 7 of 2004); hereinafter the same), limited to those eligible for clearing by Japan Securities Clearing Corporation)	Government bonds whose reference statistical prices (yields) are disseminated by Japan Securities Dealers Association (hereinafter referred to as "JSDA")	Average value included in said reference statistical price (yield) (in the case of inflation-indexed government bonds, the value obtained by multiplying said average value by an indexation coefficient published by the Ministry of Finance)	95/100
	Government bonds that are listed on a financial instruments exchange in Japan and whose reference statistical prices (yields) are not disseminated	The final price (Note 2) at the financial instruments exchange (Note 1)	

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Government-guaranteed bonds	Bonds listed in the left column whose reference statistical prices (yields) are disseminated by JSDA	Average value included in said reference statistical price (yield)	90/100
Yen-denominated bonds specified in Article 2-11 of the Order for Enforcement of the Financial Instruments and Exchange Act (Note 3)	Bonds listed in the left column that are listed on a financial instruments exchange in Japan and whose reference statistical prices (yields) are not disseminated	The final price (Note 2) at the financial instruments exchange (Note 1)	
Municipal bonds (Note 3)	Municipal bonds whose reference statistical prices (yields) are disseminated by JSDA	Average value included in said reference statistical price (yield)	85/100
	Municipal bonds that are listed on a financial instruments exchange in Japan and whose reference statistical prices (yields) are not disseminated	The final price (Note 2) at the financial instruments exchange (Note 1)	
Special bonds (excluding government-guaranteed bonds)	Bonds listed in the left column whose reference statistical prices (yields) are disseminated by JSDA	Average value included in said reference statistical price (yield)	85/100
Corporate bonds (excluding corporate			

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bonds with subscription warrants and exchangeable corporate bonds) (Notes 3 and 4)	Bonds listed in the left column that are listed on a financial instruments exchange in Japan and whose reference statistical prices (yields) are not disseminated	The final price (Note 2) at the financial instruments exchange (Note 1)	
Yen-denominated foreign bonds (excluding yen-denominated bonds, convertible bonds, and exchangeable corporate bonds specified in Article 2-11 of the Order for Enforcement of the Financial Instruments and Exchange Act) (Notes 3 and 4)	Bonds listed in the left column whose reference statistical prices (yields) are disseminated by JSDA	Average value included in said reference statistical price (yield)	85/100
	Bonds listed in the left column that are listed on a financial instruments exchange in Japan and whose reference statistical prices (yields) are not disseminated	The final price (Note 2) at the financial instruments exchange (Note 1)	
Beneficiary certificates of public and corporate bond investment trusts	Beneficiary certificates of public and corporate bond investment trusts whose market price as of the previous day is disseminated by the Investment Trusts Association, Japan	Said market price	85/100

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Convertible bonds (Notes 3 and 5) Exchangeable corporate bonds (Notes 3 and 6)	Bonds listed in the left column that are listed on a financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	80/100
Stocks Preferred equity investment securities (Note 7) Foreign stock depository receipts (Note 8) Beneficiary certificates of foreign investment trusts Foreign investment securities Beneficiary certificates of beneficiary certificate- issuing trusts Beneficiary certificates of foreign beneficiary certificate- issuing trusts (Note 9)	Securities listed in the left column that are listed on a financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	70/100

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Beneficiary certificates of an investment trust (excluding beneficiary certificates of public and corporate bond investment trusts)	Securities listed in the left column that are listed on a financial instruments exchange in Japan	The final price (Note 2) at the financial instruments exchange (Note 1)	
Investment securities	Securities that are listed in the left column whose market price as of the previous day is disseminated by the Investment Trusts Association, Japan	Said market price	

(Notes)

- (1) In cases where securities are listed on two or more financial instruments exchanges, the financial instruments exchange means the exchange which is selected in accordance with the order specified by OSE.
- (2) In cases where a quote is displayed at said financial instruments exchange, the final price shall be said final quote price.
- (3) Limited to securities for which a principal underwriting agreement has been entered into by a financial instruments business operator (limited to those which are registered for business pertaining to acts referred to in Article 28, Paragraph 1, Item (1) of the Act) at the time of issuance.
- (4) Corporate bonds (excluding corporate bonds with subscription warrants and exchangeable corporate bonds) and convertible bonds shall be limited to those issued by a company whose stocks are listed on a financial instruments exchange in Japan.
- (5) Convertible bonds mean corporate bonds with subscription warrants where the contribution to be made on exercising the subscription warrant is a corporate bond pertaining to said corporate bond with subscription warrants.
- (6) Exchangeable corporate bonds mean corporate bonds (including corporate bonds issued by foreign corporations) that are redeemed with stocks issued by a specified company other than the issuer of said bond at the request of the bond holder.
- (7) Preferred equity investment securities mean those issued by cooperative structured financial institutions.

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- (8) Foreign stock depositary receipts mean depositary receipts representing rights pertaining to stocks issued by foreign corporations.
- (9) Beneficiary certificates of foreign beneficiary certificate-issuing trusts mean securities or certificates issued by foreign corporations that have the characteristics of beneficiary certificates of beneficiary certificate-issuing trusts.
3. The order specified by OSE as prescribed in the provisions of the preceding paragraph shall be as follows:
- The first is the financial instruments exchange which has the largest trading volume (limited to the volume pertaining to regular transactions (meaning those set forth by each financial instruments exchange) carried out during trading sessions) of said issue among financial instruments exchanges from July to December of the previous year if the day two days before the deposit date belongs to a period between February and July, or from January to June if said date belongs to a period between August and January of the following year. The order after the first shall be decided according to the order of the codes of exchanges/industry groups, etc. (meaning those specified by the Securities Identification Code Committee).
4. Fractions in substitute prices shall be adjusted as follows:
- (1) For stocks, preferred equity investment securities, foreign stock depositary receipts, beneficiary certificates of investment trusts, beneficiary certificates of foreign investment trusts, foreign investment securities, beneficiary certificates of beneficiary certificate issuing trusts, and beneficiary certificates of foreign beneficiary certificate issuing trusts, fractions less than JPY 1 (one) shall be rounded down; and
- (2) For securities other than those prescribed in the preceding item, fractions less than JPY 1/100 (one hundredth) shall be rounded down.
5. Where Trading Participants deposit government bonds as prescribed in Paragraph 2 with OSE, Japan Securities Clearing Corporation (hereinafter referred to as "JSCC") shall receive said government bonds on behalf of OSE. The Trading Participants shall make said deposits by transferring them to the account opened in the name of JSCC with the Bank of Japan.
6. Where Trading Participants deposit securities enumerated in each of the following items with OSE, JSCC shall receive said securities on behalf of OSE. The Trading Participants shall make said deposits by transferring them to the account opened in the name of JSCC with Japan Securities Depository Center, Inc. (hereinafter referred to as "JASDEC").
- (1) Stocks, preferred equity investment securities, foreign stock depositary receipts, beneficiary certificates of investment trusts, foreign investment securities, beneficiary certificates of beneficiary certificate-issuing trusts, beneficiary certificates of foreign beneficiary certificate-issuing trusts, bonds (excluding government bonds and corporate

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- bonds with subscription warrants) and convertible bonds;
- (2) Investment securities that are listed on a financial instruments exchange in Japan
7. OSE shall entrust reports to JASDEC pertaining to deposited securities enumerated in each of the following items to the Trading Participant which deposits such securities, and the entrusted Trading Participant shall make said reports to JASDEC. In this case, the entrusted Trading Participant may have other parties make the report.
- (1) Reporting on the delegation status of the special shareholders management business pertaining to stocks issued by domestic corporations
- (2) Reporting on the delegation status of the special preferred equity investors management business for special preferred equity contributors pertaining to preferred equity contribution securities
- (3) Reporting on the delegation status of the special beneficiaries management business pertaining to beneficiary certificates of investment trusts
- (4) Reporting on the delegation status of the special investors management business pertaining to investment securities
- (5) Reporting on the delegation status of the special beneficiaries management business pertaining to beneficiary certificates of beneficiary certificate-issuing trusts.
8. Notwithstanding Paragraph 2, where a stock listed on a financial instruments exchange in Japan (including preferred equity investment securities, foreign stock depositary receipts, beneficiary certificates of investment trusts, beneficiary certificates of foreign investment trusts, investment securities, foreign investment securities, beneficiary certificates of beneficiary certificate-issuing trusts, and beneficiary certificates of foreign beneficiary certificate-issuing trusts; the same shall apply in this paragraph and the next paragraph) falls under the delisting criteria set forth by all the financial instruments exchanges in Japan where said stock is listed (excluding cases enumerated in each of the following items), said stock and corporate bonds issued by the issuer of said stock (excluding said foreign stock depositary receipts, beneficiary certificates of investment trusts, beneficiary certificates of foreign investment trusts, beneficiary receipts of beneficiary certificate-issuing trusts, and beneficiary certificates of foreign beneficiary certificate issuing trusts) shall be excluded from securities in lieu of cash from the day (one business day later if it falls on a non-business day) after the day when said stock falls under the delisting criteria.
- (1) When the issuer of said stock becomes a wholly owned subsidiary of a company which is listed on a financial instruments exchange in Japan through share exchange or share transfer
- (2) When the issuer of said stock is merged into a company which is listed on a financial

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instruments exchange in Japan

(3) When said stock is delisted and stocks to be issued in exchange for said delisted stock are expected to be listed immediately on a financial instruments exchange in Japan

9. Stocks provided by a Trading Participant to OSE as Guarantee Fund or Trading Participant Security Money in lieu of cash shall be limited to those registered under the name of said Trading Participant (or those in the proprietary account of said Trading Participant in cases where stocks which are eligible for the book-entry transfer business of JASDEC are provided by book-entry transfer of JASDEC).
10. The provisions of Paragraph 8 shall apply mutatis mutandis to a bond if the obligation of the bond issuer has been accelerated and become immediately due and payable.