

**Revision, etc. of Matters to be Reported by Clearing Participants
in association with Partial Amendment of “Financial Instruments and Exchange Act”**

February 23, 2011
Japan Securities Clearing Corporation

I Purpose

Until now, JSCC has implemented the examination for approval of Clearing Qualification, and grasped Clearing Participant’s business or financial conditions based on their non-consolidated conditions. However, the Financial Instruments and Exchange Act (FIEA) and relevant regulations will be partially amended on April 1, 2011, in order to introduce consolidated-based regulation and supervision for Type 1 Financial Instruments Business Operators (FIBOs) having a certain level of financial base. Thus, JSCC will implement necessary revisions in its Business Rules, etc.

Together with the revisions of rules related to Clearing Participants who are FIBOs, for Clearing Participants who are Registered Financial Institutions, JSCC will also make necessary revisions such as submission of consolidated-based business reports as “Matters to Be Reported,” etc.

II Outline

Item	Details	Remarks
1. Criteria for Clearing Qualification	<ul style="list-style-type: none"> • When a Special FIBO (as such term defined in Article 57-2.2 of the Amended Act (refer to the provisions of the FIEA in the Act to partially amend the FIEA which is to be enforced on April 1, 2011 (Act No. 32 of 2010); the same shall apply hereinafter) applies for the acquisition of Clearing Qualification, the condition that its consolidated Capital-to-Risk Ratio exceeds 200 percent shall be added to the requirements related to the financial base for the examination. 	<ul style="list-style-type: none"> • In the amended Act, Type 1 FIBO of which total asset exceeds the amount set forth in Enforcement Ordinance of the FIEA (JPY1 trillion) shall be classified into “Special FIBO” (excluding foreign corporations).
2. Matters to be reported to JSCC by Clearing Participants	<ul style="list-style-type: none"> • The following matters shall be added as the matters to be reported. 	
(1) Matters to be reported for Clearing Participants who are FIBOs	<ul style="list-style-type: none"> • In case where i) a Clearing Participant who is a Special FIBO, ii) Parent Company of a Clearing Participant (as such term defined in Article 57-2.8 of the amended Act) or Designated Parent Company of a Clearing Participant (as such term defined in Article 57-12.3 of the amended Act) or iii) Specified Major Shareholder of a Clearing Participant (as such term defined in Article 	<ul style="list-style-type: none"> • See Appendix for detailed contents to be reported.

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Item	Details	Remarks
	32.4 of the Amended Act) falls in any conditions specified by JSCC, the Clearing Participant who is a FIBO shall immediately report the details to JSCC.	
<p>(2) Matters to be reported for Clearing Participants who are Registered Financial Institutions</p> <p>3. Measures to be taken with respect to Clearing Participants</p>	<ul style="list-style-type: none"> • In case where a Clearing Participant who is a Registered Financial Institution falls under the following condition, it shall immediately report the details to JSCC: <ul style="list-style-type: none"> ➤ When the Clearing Participant prepares a consolidated business report or interim business report • With regard to a Clearing Participant who is a Special FIBO, if its consolidated Capital-to-Risk Ratio falls into any of the following conditions, measures set forth in Article 29-3 and 4 of Business Rules (suspension of the assumption of full or part of obligations under the Contracts subject to Clearing to which such Clearing Participant is a party) shall be applied; <ul style="list-style-type: none"> ➤ In the case of the Clearing Participant is a Principal Clearing Participant, its Capital-to-Risk Ratio becomes less than 120 percent; or ➤ In the case of the Clearing Participant is an Agent Clearing Participant, its Capital-to-Risk Ratio becomes less than 200 percent, and early recovery is not expected. 	

III Implementation Timing (Scheduled)

The revisions will be implemented on April 1, 2011.

End of Document

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Matters to be Reported for Financial Instruments Business Operators

Items	Matters to be Reported	Remarks
<p>1. Matters to be reported for Clearing Participants who are Special Financial Instruments Business Operators</p>	<ul style="list-style-type: none"> • In case where a Clearing Participant who is a Special FIBO falls into any conditions listed below, it shall immediately the details to JSCC; ➤ When the Clearing Participant’s consolidated Capital-to-Risk Ratio becomes less than 140 percent; ➤ When the Clearing Participant prepares documents stating the soundness of management to be made available for public inspection in accordance with the provisions of Article 53-5.3 of the amended FIEA; ➤ When the Clearing Participants prepares a business report pursuant to Article 53-3.1 of the amended FIEA; or ➤ When the Clearing Participants made the notification pursuant to Article 57-2.1 or Article 57-2.6 (only when it fall under Article 57/2.6 (2)) of the FIEA. 	
<p>2. Matters to be reported with related to Parent Company or Designated Parent Company</p>	<p>(1) In case where its Designated Parent Company or Ultimate Designated Parent Company (as such term defined in Article 57-12.3 of the amended FIEA) falls into any of the following conditions listed below, the Clearing Participant shall immediately report the details to JSCC;</p> <ul style="list-style-type: none"> ➤ When the Clearing Participant becomes aware that its Designated Parent Company made the notification pursuant to Article 57-14 of the amended Act in respect of the matters listed in Article 57-13.1. (6) of the said Act; ➤ When the Clearing Participant becomes aware of a filing of a petition for the commencement of bankruptcy proceedings, the commencement of rehabilitation proceedings, the commencement of reorganisation proceedings or the commencement of special liquidation in respect of its Designated Parent Company; ➤ When the Clearing Participant becomes aware that its Designated Parent Company becomes, or is likely to become, insolvent; ➤ When the Clearing Participant becomes aware that any sanction or punishment is imposed on its Designated Parent Company in accordance with the provisions of 	<ul style="list-style-type: none"> • In the amended Act, if it is significantly required to ensure sound and proper business operations of such Parent Company or subsidiary, etc, such as when the Parent Company of the Specified FIBO conducts business management as business, etc. for the public interest or protection of investors, such Parent Company shall be designated as “Designated Parent Company.”

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Items	Matters to be Reported	Remarks
	<p>the laws and regulations or the opportunity for hearing or explanation is granted related to such sanction or punishment pursuant to the laws and regulations;</p> <ul style="list-style-type: none"> ➤ When the Clearing Participant becomes aware that any Officer of its Designated Parent Company has fallen under the provisions of Article 29-4.1. (2). a) to g) of the amended Act; ➤ When the Clearing Participant becomes aware that its Major Shareholders have fallen under the provisions of Article 29-4.4. (5). d) or e) of the amended Act; ➤ When the Clearing Participant becomes aware that a legal action in a civil case is filed against its Designated Parent Company or that a court decision is made in the said case including an appeal, or a petition for conciliation under the Civil Conciliation Act is filed against the Designated Parent Company or that such conciliation has been closed; ➤ When the Ultimate Designated Parent Company prepares documents stating the soundness of management to be made available for public inspection in accordance with the provision of Article 17/3 of the amended Act. ➤ When the Ultimate Designated Parent Company prepares the business report; ➤ When the Clearing Participant becomes aware that its Designated Parent Company changed the address of its headquarters or principal office; ➤ When the Clearing Participant becomes aware that its Parent Company is designated as Designated Parent Company, or that such designation is cancelled or has become ineffective; ➤ When the Clearing Participant becomes aware that its Designated Parent Company merged with another entity (excluding the case where the Designated Parent Company ceases to exist as a result of the merger); or ➤ When the Clearing Participant becomes aware that any Officer of its Designated Parent Company has been changed. <p>(2) In case where the Parent Company of a Clearing Participant falls into the following condition listed below, the Clearing Participant shall immediately report the details to JSCC;</p>	

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	<ul style="list-style-type: none"> ➤ When the Clearing Participant becomes aware that its Parent Company is designated as Designated Parent Company. 	
<p>3. Matters to be reported with related to Specified Major Shareholders</p>	<ul style="list-style-type: none"> • In case where a Specified Major Shareholder falls under the following conditions, the Clearing Participant shall immediately report the details to JSCC; <ul style="list-style-type: none"> ➤ When the Clearing Participant becomes aware that any sanction or punishment is imposed on the Specified Major Shareholder in accordance with the provisions of the laws and regulations, or the opportunity for hearing or explanation is granted related to such sanction or punishment pursuant to the provisions of the laws and regulations; or ➤ When the Clearing Participant becomes aware that a person became, or ceased to be, a Specified Major Shareholder. 	<ul style="list-style-type: none"> • In the amended Act, a person holding over 50% of the Subject Voting Rights of all the shareholders is defined as “Specified Major Shareholder.”

End of Document

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