

Rules on Audit of Clearing Participant concerning Business of Assuming Commodity Transaction Debts



Japan Securities Clearing Corporation

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**Rules on Audit of Clearing Participant concerning Business of Assuming Commodity
Transaction Debts**

(In effect as of July 27, 2020)

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(Article 1. Purpose)

These Rules set forth necessary matters concerning the audit pursuant to the provisions of Article 21 of the Business Rules on Business of Assuming Commodity Transaction Debts.

(Article 2. Auditor)

The audit shall be conducted by a person^{*1} who is appointed by JSCC from among its employees; provided, however, that when JSCC deems it necessary, a support personnel shall be employed.

(*1 hereinafter referred to as an "Auditor")

(Article 3 Request for Documents, etc.)

An Auditor may request directors, officers or employees of a Clearing Participant to present or allow such Auditor to inspect its materials, such as books and documents that are deemed necessary, to submit documents, or to explain facts and prepare documents which include details of such explanation.

(Article 4 Obligations of Auditor)

An Auditor shall comply with the matters set forth in the following Items:

- (1) The entire audit shall be carried out on the basis of fact;
- (2) In conducting fact finding, making decisions on disposition and expressing opinions, an Auditor must always be fair; and
- (3) An Auditor shall not disclose confidential information obtained in the course of duty without a justifiable reason.

(Article 5 Obligations of Clearing Participant)

In the case where the request set forth in Article 3 is made by an Auditor, directors, officers and employees of the relevant Clearing Participant may not refuse such request without a justifiable reason.

(Article 6 Audit Method and Timing)

1 The audit shall be carried out by visiting the sales offices, such as the head office, or the offices, such as the principal office,^{*1} of a Clearing Participant; provided, however, that it shall be carried out by documents submitted by the relevant Clearing Participant to JSCC when JSCC deems it necessary.

(*1 hereinafter referred to as "Offices")

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2 JSCC shall carry out the audit of a Clearing Participant set forth in the preceding Paragraph whenever JSCC deems it necessary.

(Article 7 Notice of Audit)

Where JSCC carries out the audit by visiting Offices of a Clearing Participant, JSCC shall notify the relevant Clearing Participant of the commencement day and method of the audit, name of Auditor and any other necessary matters; provided, however, that the same shall not apply when JSCC deems it unnecessary.

(Article 8 Presentation of Identification Card of Auditor)

An Auditor shall present his/her auditor identification card to the Clearing Participant upon commencement of the audit work.

(Article 9 Fact Finding)

The fact finding prescribed in Item (2) of Article 4 shall be performed as prescribed in the following Items:

- (1) Where there is a difference of recognition concerning such fact finding between the Auditor and the Clearing Participant in conducting the fact finding, such Clearing Participant shall submit a written appeal to JSCC;
- (2) Where JSCC receives the written appeal in the preceding Item, it shall carry out the factual investigation in a fair manner;
- (3) Where JSCC carries out the investigation in the preceding Item, it shall request that the Clearing Participant and the Auditor submit a report or document which should serve as a reference to carry out the fact finding, or conduct a hearing, when necessary; and
- (4) Where JSCC decides the results of the investigation in Item (2), JSCC shall notify the relevant Clearing Participant of that fact without delay.

(Article 10 Notice of Results of Audit)

Where the audit is completed, JSCC shall notify the relevant Clearing Participant of the results of such audit.

Reference Translation

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Supplementary Provisions

These Rules shall come into effect on July 27, 2020.