

Rules on Handling concerning LG Contract for Direct Deposit



Japan Securities Clearing Corporation

Copyright ©2020 Japan Securities Clearing Corporation. All rights reserved.

This English translation of the Rules has been prepared solely for reference purposes and shall not have any binding force. The original Japanese text shall be definitive when construing or interpreting the meaning of any provision.

**Rules on Handling concerning LG Contract for Direct Deposit
(In effect as of July 27, 2020)**

Contents

Provisions

Supplementary Provisions

[Annex 1] Agreement concerning LG Contract for Direct Deposit

[Annex 2] Application for Approval concerning Conclusion of LG Contract for Direct Deposit

[Annex 3] Application for Approval concerning Amendment to LG Contract for Direct Deposit

[Annex 4] Application for Approval concerning Cancellation of LG Contract for Direct Deposit

[Annex 5] Notification of Approval with regard to LG Contract for Direct Deposit

[Annex 6] Notification of Disapproval with regard to LG Contract for Direct Deposit

[Annex 7] Notification Form concerning Conclusion of LG Contract for Direct Deposit

[Annex 8] Notification of Amendment to LG Contract for Direct Deposit

[Annex 9] Notification of Cancellation of LG Contract for Direct Deposit

[Annex 10] Status Report on LG Contract for Direct Deposit

[Annex 11] Confirmation Notice on LG Contract for Direct Deposit

[Annex 12] Notification associated with Expiration of Term of LG Contract for Direct Deposit

(Article 1. Purpose)

These Rules set forth necessary matters pursuant to the provisions of Article 59 of the Rules on Margin for Business of Assuming Commodity Transaction Debts^{*1}.

(^{*1} hereinafter referred to as “Rules on Margin”)

(Article 2. Definition)

1 In these Rules, “LG Contract for Direct Deposit” means the contract prescribed in Paragraph 8 of Article 103 of the Commodity Derivatives Act^{*1} to apply *mutatis mutandis* under Paragraph 8 of Article 179 of the Act.

(^{*1} Act No. 239 of 1950; hereinafter referred to as the “Act”)

2 In these Rules, “Deferral of Deposit” means a process to defer a deposit of all or a part of the Margin in the amount equivalent to the amount to be deposited with JSCC under either Item 1 a.^{*1}, Item 1 b. and Item 1 c., and Item 2 a.^{*2}, Item 2 b. and Item 2 c. of Paragraph 1 of Article 179 of the Act, solely for the effective term of the LG Contract for Direct Deposit, pursuant to the provisions of Paragraph 9 of Article 103 of the Act to apply *mutatis mutandis* under Paragraph 7 of Article 179 of the Act.

(^{*1} limited to the case where a Clearing Participant executes a contract in the Designated Commodity Market on is proprietary account)

(^{*2} limited to the case where a Clearing Participant executes a Commodity Clearing Transaction on an account of a Non-Clearing Participant consigned such transaction)

3 In these Rules, “Bank” means a Bank, etc. prescribed in Paragraph 1 of Article 44 of the Ordinance for Enforcement of Commodity Derivatives Act^{*1} to apply *mutatis mutandis* under Article 45-3 of the Ministerial Ordinance.

(^{*1} Ordinance of the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Economy, Trade and Industry No. 3 of 2005; hereinafter referred to as “Ministerial Ordinance”)

4 In these Rules, “Customer and the Like” means a Customer, Brokerage Customer, Clearing Brokerage Customer and Customer to Clearing Broker.

5 In these Rules, “Agent” means an entity prescribed in Item 3 of Paragraph 1 of Article 72 of the Ministerial Ordinance when an entity intends to obtain Deferral of Deposit is a Non-Clearing Participant, an entity prescribed in Item 1 of the said Paragraph when an entity intends to obtain Deferral of Deposit is a Customer, an entity prescribed in Item 2 of the said Paragraph when an entity intends to obtain Deferral of Deposit is a Brokerage Customer, an entity prescribed in Item 4 of the said Paragraph when an entity intends to obtain Deferral of Deposit is a Clearing Brokerage Customer and an entity prescribed in Item 5 of the said

Paragraph when an entity intends to obtain Deferral of Deposit is a Customer to Clearing Broker.

(Article 3. Agreement)

When a Clearing Participant, a Non-Clearing Participant or a Customer and the Like concludes an LG Contract for Direct Deposit with a Bank, such Contract must be made by the "Agreement concerning LG Contract for Direct Deposit (Annex 1)"^{*1}

(^{*1} hereinafter referred to as the "Agreement").

(Article 4. Terms of Contract in case of Multiple Banks)

The Agreement must contain, in addition to the matters prescribed in the Act and the Ministerial Ordinance, the provisions to the effect that, in the case where a Clearing Participant, a Non-Clearing Participant or a Customer and the Like has concluded the LG Contracts for Direct Deposit with multiple Banks, with respect to the amount to be deposited in response to the instruction of JSCC^{*1}, if JSCC's Instruction Amount is smaller than the sum of the Contract Funds for each of the Banks^{*2}, JSCC's Instruction Amount related to each Bank shall be apportioned in a proportional manner according to the amount of the Contract Funds relating to each Bank^{*3}; provided, however, that, notwithstanding such provisions, JSCC may demand a deposit from any particular Bank without regard to its proportionate share.

(^{*1} hereinafter referred to as "JSCC's Instruction Amount")

(^{*2} referring to the Contract Funds set forth in Article 2 of LG Contract for Direct Deposit)

(^{*3} any fraction less than whole yen amount shall be rounded off)

(Article 5. Submission of Application for Approval)

When a Clearing Participant, a Non-Clearing or a Customer and the Like intends to conclude, amend or cancel an LG Contract for Direct Deposit with a Bank, it must submit an application of approval containing the matters listed in each of the below Items and other necessary matters^{*1} to JSCC by the 1st day^{*2} of the month that is immediately preceding the month in which the Business Day on which it intends to obtain Deferral of Deposit, amend the Contract or cancel the Contract, as applicable, belongs:

(^{*1} Annex 2 in case of a conclusion, Annex 3 in case of an amendment and Annex 4 in case of a cancellation)

(^{*2} if such day falls on a Non-Business Day, it shall be the immediately preceding Business Day)

(1) Trade name or name of the Bank which is the party to the conclusion, amendment or

cancellation of the Contract;

(2) Details of the Contract;

(3) A document evidencing an acknowledgement of the Agent, when a Non-Clearing Participant or a Customer and the Like intends to conclude, amend or cancel the relevant Contract; and

(4) A document stating the method of clearing with the Agent, when a Non-Clearing Participant or a Customer and the Like intends to conclude the relevant Contract.

(Article 6. Notification of Approval or Disapproval)

After receiving an application of the preceding Article, JSCC shall notify approval or disapproval of the application and other required matters to the Clearing Participant, the Non-Clearing Participant or the Customer and the Like via "Notification of Approval with regard to LG Contract for Direct Deposit (Annex 5)" or "Notification of Disapproval with regard to LG Contract for Direct Deposit (Annex 6)".

(Article 7. Notification of Contract)

1 Upon conclusion of, conclusion of an amendment to, or conclusion of an agreement to cancel, the LG Contract for Direct Deposit pursuant to the provisions of Paragraph 1 of Article 55 of the Rules on Margin, the Clearing Participant, the Non-Clearing Participant or the Customer and the Like must file with JSCC the documents prescribed in Paragraph 1 of Article 57 of the Rules on Margin and the documents listed in the following Paragraphs.

2 Upon conclusion of an LG Contract for Direct Deposit, the following documents shall be submitted:

- (1) Notification Form concerning Conclusion of LG Contract for Direct Deposit (Annex 7);
- (2) The certificate of seal impression of the Bank's CEO created within three months prior to the submission of the notification form;
- (3) Status Report on LG Contract for Direct Deposit (Annex 10).

3 Upon conclusion of an amendment, the following documents shall be submitted:

- (1) Notification of Amendment to LG Contract for Direct Deposit (Annex 8);
- (2) A copy of the amendment related to the LG Contract for Direct Deposit^{*1}.
(*¹ to which a certificate with the seal impression of the Bank's CEO shall be attached)
- (3) Status Report on LG Contract for Direct Deposit (Annex 10)

4 Upon conclusion of an agreement to cancel, following documents shall be submitted:

- (1) Notification of Cancellation of LG Contract for Direct Deposit (Annex 9);
- (2) A copy of the agreement to cancel the LC Contract for Direct Deposit^{*1}
- (3) Status report on LG Contract for Direct Deposit (Annex 10).

(Article 8. Acceptance of Notification)

When JSCC receives a notification pursuant to the provisions of Paragraph 2 of Article 7, it shall inform the Clearing Participant, the Non-Clearing Participant or the Customer and the Like of its acceptance of the notification and other necessary matters via "Confirmation Notice on LG Contract for Direct Deposit" (Annex 11).

(Article 9. Application in case of Non-Clearing Participant or Customer and the Like)

1 When intending to submit an application prescribed in Article 5, to file a notification prescribed in Article 7 and to give notice prescribed in Article 12, a Non-Clearing Participant or a Customer and the Like must do so through its Agent.

2 When giving notice prescribed in Article 6 and Article 8 to a Non-Clearing Participant or a Customer and the Like, JSCC shall do so through the Agent of the relevant Non-Clearing Participant or Customer and the Like.

(Article 10. Deadline for Notification)

Regardless of a type of contracts or agreements, the notification of Paragraph 1 of Article 7 must be submitted to JSCC by the day that is five (5) Business Days preceding the effective date of the Contract, the amendment or the cancellation.

(Article 11. Handling in case where no Notification being Submitted)

Unless a Clearing Participant, a Non-Clearing Participant or a Customer and the Like files the notification on LG Contract for Direct Deposit pursuant to the provisions of Paragraph 1 of Article 7 with JSCC by the deadline set forth in the preceding Article, it may not obtain Deferral of Deposit of the Margin, application of the amendment to the Contract terms or cancellation of the Contract, as applicable.

(Article 12. Renewal of Contract)

1 If a Non-Clearing Participant or a Customer and the Like renews the Contract along with an expiration of the term of the Contract, it must notify that effect by the 1st day^{*1} of the month that is immediately preceding the month in which the expiration date of the current Contract belongs, and must take necessary procedures pursuant to the provisions of Article 5 and Article 7.

(*1 if it falls on a Non-Business Day, it shall be the immediately preceding Business Day)

2 If no notification of a Contract renewal is filed by the day that is five (5) Business Days preceding the effective date of the renewed Contract, the Contract renewal is not

considered to be made in association with the expiration.

(Article 13. Termination of Contract)

If a Non-Clearing Participant, a Customer and the Like or a Bank terminates the Contract in association with an expiration of the term, it must notify JSCC by the day^{*1} that is one month prior to the expiration date of the current Contract via "Notification associated with Expiration of Term of LG Contract for Direct Deposit" (Annex 12).

(*1 if such day falls on a Non-Business Day, it shall be the immediately preceding Business Day)

(Article 14. Notice from Bank)

If a Non-Clearing Participant or a Customer and the Like has concluded LG Contracts for Direct Deposit with multiple Banks and receives the notice claiming for Deferred Amount from the Banks capped at Contract Funds, it must respond to such claim.

(Article 15. Agent's Request for Deposit Instruction to JSCC)

1 When, with respect to a Non-Clearing Participant or a Customer and the Like, there is a suspension of payment or a filing of a petition for a commencement of bankruptcy proceedings, civil rehabilitation proceedings, corporate reorganization proceedings or special liquidation proceedings, or when a Non-Clearing Participant or a Customer and the Like fails to perform its obligations against the Agent, the Agent may request that JSCC give an instruction to the Bank concluded the LG Contract for Direct Deposit with the relevant Non-Clearing Participant or the Customer and the Like or the relevant Non-Clearing Participant or the Customer and the Like of the effect that the amount equivalent to the required Margin or the Margin of which the deposit is deferred pursuant to the provisions of Paragraph 2 of Article 57 of the Rules Margin should be deposited with JSCC.

2 When, with respect to a Broker or a Clearing Broker, there is a suspension of payment or a filing of a petition for a commencement of bankruptcy proceedings, civil rehabilitation proceedings, corporate reorganization proceedings or special liquidation proceedings, the Agent^{*1} may request that JSCC give an instruction to the Bank concluded the LG Contract for Direct Deposit with the Customer and the Like or the Customer of the effect that the amount equivalent to the required Margin or the Margin of which the deposit is deferred pursuant to the provisions of Paragraph 2 of Article 57 of the Rules Margin should be deposited with JSCC.

(*1 excluding a Broker or a Clearing Broker)

3 Upon receipt of the request under the preceding two Paragraphs, if it considers that there is

a ground for such instruction, JSCC shall give instruction of the effect that such deposit shall be made.

Supplementary Provisions

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