

Rules on Inspection of Clearing Participant
in relation to Interest Rate Swap Clearing Business

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Table of Contents

Article 1. Purpose	2
Article 2. Definitions.....	2
Article 3. Inspector	2
Article 4. Request for Documents	2
Article 5. Obligations of Inspector and Assistant	2
Article 6. Responsibility of Inspector and Assistant	3
Article 7. Obligations of Clearing Participant	3
Article 8. Inspection Method and Timing.....	3
Article 9. Notice of Inspection.....	4
Article 10. Presentation of Identification Card of Inspector	4
Article 11. Notice of Inspection Completed	4

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Article 1. Purpose

The purpose of these Rules on Inspection of Clearing Participant in relation to Interest Rate Swap Clearing Business (hereinafter referred to as these “Inspection Rules”) is to stipulate matters to be prescribed in connection with the inspection (hereinafter referred to as “Inspection”) conducted pursuant to Article 21.1 of the Interest Rate Swap Clearing Business Rules (hereinafter referred to as “Business Rules”) established by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”).

Article 2. Definitions

Unless otherwise set forth in these Inspection Rules, the terms used in these Inspection Rules shall have the meanings used in the Business Rules.

Article 3. Inspector

The Inspection shall be carried out by an employee of JSCC who is assigned such role by JSCC (hereinafter referred to as “Inspector”); provided that, when JSCC deems it necessary to do so in light of the purpose of the Inspection, the Inspector may have an assistant who is familiar with information system, finance and other related matters.

Article 4. Request for Documents

An Inspector may request that a Clearing Participant’s Officer or employee present or make available books, documents and other item, submit materials or give explanation of facts and put such explanation into writing, that are deemed necessary in light of the purpose of the Inspection.

Article 5. Obligations of Inspector and Assistant

An Inspector and his/her assistant shall not divulge to any third party any confidential information that they become aware of in the course of their duty, unless there are justifiable grounds to do so, such as a disclosure or provision of such confidential information pursuant to an order or request from the court, supervisory authority or any other public institution or provisions of any applicable laws and regulations. “Confidential

Rules on Inspection of Clearing Participant
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information” referred to above shall mean confidential facts that are not otherwise available to general public and may have significant commercial impact.

Article 6. Responsibility of Inspector and Assistant

- 1 An Inspector shall not be liable to indemnify any losses or damages incurred by a Clearing Participant in relation to the Inspection conducted pursuant to these Inspection Rules (excluding those losses or damages that are caused to the Clearing Participant due to the Inspector’s having violated his/her obligations set forth in Article 5), unless such losses or damages are found to have been caused by the Inspector’s willful misconduct or gross negligence.
- 2 The provisions of Paragraph 1 shall apply *mutatis mutandis* to an assistant. In such case, the word “Inspector” used therein shall be replaced with “assistant”.

Article 7. Obligations of Clearing Participant

Officers and employees of a Clearing Participant shall not refuse any request from an Inspector as set forth in Article 4, except for the following cases, or unless there is justifiable grounds for such refusal:

- (1) Meeting such request would result in the Clearing Participant violating any law or regulations (including foreign ones) or breaching any contract which such Clearing Participant has entered into with any third party, or
- (2) Such request is a request for disclosure of the Clearing Participant’s Trade Secret (meaning the “Trade Secret” as defined in Article 2.6 of the Unfair Competition Prevention Act (Act No. 47 of May 19, 1993) or any equivalent in foreign countries).

Article 8. Inspection Method and Timing

- 1 JSCC shall carry out an Inspection of a Clearing Participant when it deems necessary to do so pursuant to the provisions of Article 21 of the Business Rules and to the extent of such necessity.

Rules on Inspection of Clearing Participant
in relation to Interest Rate Swap Clearing Business

- 2 The Inspection shall be carried out on the site of the head office, main office and/or any other office or offices of the Clearing Participant (hereinafter referred to as “Offices”); provided, however, that the Inspection may be carried out only on documents submitted by the Clearing Participant to JSCC, if JSCC deems such documents to be sufficient for the purpose of conducting such Inspection.
- 3 When JSCC carries out the Inspection at the Offices of a Clearing Participant pursuant to the provisions of Paragraph 2 and when such Clearing Participant’s Offices are located both in Japan and overseas, JSCC shall carry out the Inspection at the Office that is located in Japan first, and then carry out the Inspection at the Offices located overseas, only if sufficient materials or information is not available at the Office in Japan.
- 4 The Inspection shall be carried out during business hours of the Clearing Participant; provided, however, that the Inspection may be carried out outside the business hours of the Clearing Participant only when JSCC deems it necessary to do so in light of the purpose of the Inspection and the circumstances requiring such Inspection, including in case of emergency, and to the extent of the necessity.

Article 9. Notice of Inspection

Where JSCC carries out an Inspection at the Offices of a Clearing Participant, JSCC shall give the Clearing Participant a prior written notice detailing the purpose, commencement date, method of the Inspection, the name of Inspector and any other necessary matters.

Article 10. Presentation of Identification Card of Inspector

An Inspector shall present his/her inspector identification card to the Clearing Participant upon the commencement of the Inspection.

Article 11. Notice of Inspection Completed

Where JSCC has completed the Inspection of a Clearing Participant, JSCC shall notify the Clearing Participant of the completion without delay.

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These Inspection Rules shall be enforced effective as of 9 October 2012.