

Rules on Inspection of Clearing Participant in relation to CDS Clearing Business

(Article 1 Purpose)

The purpose of these Rules on Inspection of Clearing Participant in relation to CDS Clearing Business (hereinafter referred to as “Rules”) is to prescribe matters necessary to prescribe in connection with the inspection (hereinafter referred to as “Inspection”) conducted pursuant to Paragraph 1 of Article 21 of the CDS Clearing Business Rules (hereinafter referred to as “Business Rules”) established by Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”).

(Article 2 Definitions)

The terms used in these Rules shall have the meanings of the same terms used in the Business Rules unless otherwise prescribed in these Rules.

(Article 3 Inspector)

The Inspection shall be carried out by a person who has been appointed by JSCC from its employees (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, etc.)

An Inspector may request a Clearing Participant’s Officer or employee to present or to allow such Inspector to inspect materials such as books and documents, to submit documents or to give explanation about facts and prepare documents which include details of such explanation, 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 others any confidential information (meaning any fact which is not known to public and which is objectively considered to have substantial values about its not being known to others) obtained in the course of his/her duty, unless there is a justifiable grounds to do so such as that he/she is required to disclose or provide 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.

(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 Rules (excluding those losses or damages that are caused to the Clearing Participant due to the Inspector’s having violated his/her duties set forth in the preceding Article), unless such losses or damages are found to have been caused by the Inspector’s wilful misconduct or gross negligence.
- 2 The provisions of the preceding Paragraph 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 in the following cases, or otherwise without justifiable grounds:

- (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, Paragraph 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.
- 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, 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 on the site of Offices of a Clearing Participant pursuant to the provisions of the preceding Paragraph and when such Clearing Participant's Office are located both in Japan and overseas, JSCC shall carry out the Inspection on the site of the Offices in Japan first, and only if sufficient materials or information is not available to it in such Inspection, JSCC shall carry out the Inspection on the site of the foreign Offices as well.
- 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 on the site of Offices of a Clearing Participant, JSCC shall notify the Clearing Participant of the purpose, commencement date and method of the Inspection, the name of Inspector and any other necessary matters in writing in advance.

(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.

Supplementary Provisions

These Rules shall be enforced effective as of 19 July 2011.