Disciplinary Measures Assessment Committee Rules

Japan Securities Clearing Corporation

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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.

Disciplinary Measures Assessment Committee Rules
(In effect as of June 21, 2017)

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(Article 1 Purpose)

These rules set forth the matters necessary for the Disciplinary Measures Assessment Committee in accordance with the provisions of Article 33-2 of the Business Rules, Article 36 of the CDS Clearing Business Rules (hereinafter referred to as the "CDS Business Rules") , Article 36 of the Interest Rate Swap Clearing Business Rules (hereinafter referred to as the "IRS Business Rules") and Article 33 of the Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules (hereinafter referred to as the "JGB OTC Business Rules").

(Article 2 Establishment of Disciplinary Measures Assessment Committee)

JSCC shall establish the Disciplinary Measures Assessment Committee as an advisory committee of the board of directors of JSCC.

(Article 3 Matters for Consultation)

1 When JSCC seeks to take the measures or make the judgements for Clearing Participants (qualified for any of Securities Clearing Qualification, JGB Futures Clearing Qualification, Index Futures Clearing Qualification, or FX Clearing Qualification prescribed in Article 5 Paragraph 2 of Business Rules, CDS Clearing Qualification prescribed in Article 2 (60) of CDS Clearing Business Rules, IRS Clearing Qualification prescribed in Article 2 (12) of Interest Rate Swap Clearing Business Rules, or JGB OTC Transaction Clearing Qualification prescribed in Article 5 Paragraph 2 of Japanese Government Bond Over-the-Counter Transaction Clearing Business Rules. The same applies hereinafter.) set forth below, JSCC shall consult with the Disciplinary Measures Assessment Committee.

(1) The measures set forth in Article 29, Article 29-2 or Article 29-3 of the Business Rules or judgement about the petition of objection set forth in Paragraph 5 of Article 14 of the Business Rules which applies *mutatis mutandis* in Article 32 of the said rules

(2) The measures set forth in Article 28, Article 30 or Article 31 of the CDS Business Rules or judgement about the petition of objection set forth in Paragraph 5 of Article 15 of the CDS Business Rules which applies *mutatis mutandis* in Article 35 of the said rules

(3) The measures set forth in Article 28, Article 30 or Article 31 of the IRS Business Rules, judgement about the petition of objection set forth in Paragraph 5 of Article 15 of the IRS Business Rules which applies *mutatis mutandis* in Article 35 of the IRS Business Rules or judgement about the cancellation of the appointment of any member of the committee as set forth in Paragraph 2 of Article 5 of the IRS Management Committee Rules (excluding those due to Default, etc. of such member of the committee having been determined or such member of the committee no longer falling under either of the categories set forth in each Item of Paragraph 1 of the said Article).

(4) The measures set forth in Article 28 of the JGB OTC Business Rules, judgement about the petition of objection set forth in Paragraph 4 of Article 13 of the JGB OTC Business Rules which applies *mutatis mutandis* in Article 31 of the JGB OTC Business Rules or judgement about the cancellation of the appointment of any member of the committee as set forth in Paragraph 3 of Article 5 of the JGB OTC Management Committee Rules (excluding those due to Default, etc. of such member of the committee having been determined or such member of the committee no longer falling under either of the categories set forth in each Item of Paragraph 1 of the said Article).

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2 The provision of the preceding Paragraph shall not apply to cases where the measures prescribed in Article 29-2 of the Business Rules, Article 30 of the CDS Business Rules and Article 30 of the IRS Business Rules (limited to those in respect of contracts entered into on Participant's own account) or where there is an urgent need therefor. In this case, JSCC shall report the details of the measures to the Disciplinary Measures Assessment Committee without delay after it takes such measures, etc.

3 The Disciplinary Measures Assessment Committee may, in connection with the measures or judgement prescribed in Paragraph 1 of this Article, respond to JSCC's consultation or state its opinion thereon. In such case, JSCC shall respect the opinion of the Disciplinary Measures Assessment Committee.

(Article 4 Committee Members)

1 The Disciplinary Measures Assessment Committee shall consist of not less than three (3) but not more than five (5) committee members.

2 Members of the Disciplinary Measures Assessment Committee shall be commissioned to serve by the Director and President of JSCC from persons set forth below, provided, however, that majority of the members of the Disciplinary Measures Assessment Committee is required to be the person relevant to Paragraph 2 (hereinafter referred to as "Committee Member other than Clearing Participants").

(1) Persons who are officers or employees engaged in ordinary affairs of Clearing Participants and who have deep insight into the matters for consultation as prescribed in the preceding Article and able to make fair judgement.

(2) Persons who are not officers or employees engaged in ordinary affairs of Clearing Participants and who have deep insight into the matters for consultation as prescribed in the preceding Article and able to make fair judgement.

3 In case where the composition of the member of the Disciplinary Measures Assessment Committee has become no longer compliant with the requirements in exceptional clause in the preceding Paragraph, the Director and President of JSCC shall commission a new member from Committee Member other than Clearing Participants without delay.

4 The term of office of the committee members shall be one year from the date on which he/she was commissioned to serve; provided that, when JSCC deems it necessary in light of the time of commission and other circumstances, the term of office shall be the period prescribed by JSCC, which shall not be longer than one year.

(Article 5 Committee Chairperson)

1 The Disciplinary Measures Assessment Committee shall be equipped with a Chairperson.

2 The Chairperson shall be commissioned to serve by the Director and President of JSCC from the Committee Member other than Clearing Participants.

3 The Chairperson shall deal with the affairs of the Committee.

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4 When the position of Chairperson is vacant or the Chairperson is unable to act, the Committee member appointed by the chairperson in advance shall perform its duties or act on its behalf.

(Article 6 Convocation of Committee Meetings)

A meeting of the Disciplinary Measures Assessment Committee shall be convened by the Director and President of JSCC, provided, however, that it shall not preclude the convocation of a meeting by a resolution of the board of directors of JSCC.

(Article 7 Method of Holding a Meeting)

1 Where the Director and President or the board of directors of JSCC deem it necessary, a meeting of the Disciplinary Measures Assessment Committee may be held via telephone or other means, or a committee member may attend a meeting via telephone or other means.

2 Where the Director and President of JSCC or the board of directors of JSCC deems it necessary, a resolution of the Disciplinary Measures Assessment Committee may be adopted in writing in lieu of holding a meeting.

(Article 8 Method of Resolutions)

1 The Disciplinary Measures Assessment Committee may not start proceedings unless at least half of the committee members (excluding committee members who are not able to participate in the deliberation pursuant to the provisions of Paragraph 3 of this Article; the same applies to the following Paragraph) are in attendance.

2 In the proceedings of the Disciplinary Measures Assessment Committee, the majority of vote of attending members is required to pass a resolution. In case of a tie, a resolution shall be passed by the Chairperson.

3 A committee member may not participate in deliberations on the matter in which such committee member has special interests.

(Article 9 Hearings)

The Disciplinary Measures Assessment Committee may, when deemed necessary to make appropriate judgement on the matters for consultation prescribed in Article 3 hereof, require a Participant or witness in connection with the relevant case to attend a meeting for a hearing.

(Article 10 Committee Members' Duty of Confidentiality)

A committee member or any person who once was a committee member may not divulge to a third party or use for any other purposes any confidential information (meaning the fact which is not known to the public and entails objectively reasonable interests for not being known to others) obtained in the performance of his/her duties unless he/she is required to disclose or provide such confidential information in accordance with orders or requests from courts, supervisory authorities or other public institutions or provisions of laws and regulations, or without any other justifiable grounds.

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Supplementary Provisions

These Rules shall come into effect on June 16, 2008.

Supplementary Provisions

1 Amendment to these Rules shall be enforced from 19 July 2011.

2 The obligations of the committee members appointed before the amendment of these Rules shall follow the previous procedures only to the extent of the terms of such committee members.

Supplementary Provisions

Amendment to these Rules shall be enforced from 9 October 2012.

Supplementary Provisions

Amendment to these Rules shall be enforced from 1 October 2013.

Supplementary Provisions

Amendment to these Rules shall be enforced from 21 June 2017.

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