

[English Translation]

**ENFORCEMENT REGULATIONS FOR REGULATIONS FOR  
MARGIN AND UNSETTLED MARKET DERIVATIVES CONTRACTS**

**TOKYO FINANCIAL EXCHANGE INC.**

(This is an English translation of the Enforcement Regulations for Regulations for Margin and Unsettled Market Derivatives Contracts, which original has been prepared in the Japanese language only. The Japanese language text hereof shall govern for all purposes and in all respects. Accordingly, all questions that may arise within or without courts of law in regard to the meaning of the words, provisions and stipulations of these Regulations shall be decided in accordance with the Japanese language text. Tokyo Financial Exchange Inc. (“TFX”) assumes no responsibility for accuracy, correctness or contents of this English text.)

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Enforcement Regulations for Regulations for Margin and Assignment of  
Unsettled Market Derivatives Contracts  
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## **Article 1. Purpose**

These Regulations set forth the matters in connection with Interest Rate Futures contracts and LT-Link Positions to be prescribed or designated by the Exchange pursuant to the Regulations for Margin and Unsettled Market Derivatives Contracts (hereinafter called the “Margin Regulations”) established by the Exchange.

## **Article 2. Manner of Deposit of Exchange Margin**

2.1 When a Clearing Member deposits an Exchange Margin pursuant to Article 6.1 of the Margin Regulations, the deposit shall be made by way of transfer to the “Exchange Margin Account” established by the Exchange at a financial institution in any of the following manners:

- (1) Account transfer;
- (2) Wire transfer;
- (3) Cash transfer; or
- (4) Transfer of a check drawn by a bank naming the Bank of Japan as payer.

2.2 Notwithstanding the provisions of Article 2.1 above, when the Clearing Member deposits negotiable securities as eligible securities in lieu of Exchange Margin, the deposit shall be made in the manners specified below by the kind of the negotiable securities:

- (1) In the case of the Japanese Government bonds set forth in 1 of Appendix 1 and 1 of Appendix 2 to the Margin Regulations:

Transfer to the account opened and maintained in the name of the Exchange with the Bank of Japan; provided, however, in this case, during the suspension period of book entry of Japanese Government bond, no claim shall be made for return of deposited Japanese

Government bonds covered by the JGB Book-entry System.

- (2) In the case of the stocks set forth in 2 of Appendix 1 and 2 of Appendix 2 to the Margin Regulations:

Transfer to the account opened and maintained in the name of the Exchange with Japan Securities Depository Center, Inc.

### **Article 3. Matters concerning Exchange Margin**

The matters designated to be prescribed by the Exchange pursuant to Articles 7.5 and 27.4 of the Exchange Regulations in connection with negotiable securities, etc. eligible to be deposited as margin shall be as set forth in the following Items:

- (1) Adjustment of fractional amount

For the purpose of calculation of value of the negotiable securities listed in Appendixes 1 and 2 to the Margin Regulations, a fraction arising from multiplying the market price or principal amount thereof by the applicable rate set forth in the those Appendixes shall be adjusted in the manner set forth below:

- (a) In the case of JGB set forth in 1 of Appendix 1 and 1 of Appendix 2 to the Margin Regulations:

Any fractions less than one hundredth (1/100) Yen shall be discarded.

- (b) In the case of stocks set forth in 2 of Appendix 1 and 2 of Appendix 2 to the Margin Regulations:

Any fraction less than one (1) Yen shall be discarded.

- (2) Exclusion from negotiable securities eligible to be deposited

If any stocks listed in 2 of Appendix 1 and 2 of Appendix 2 to the Margin Regulations come to meet the delisting standards established by all financial instruments exchanges in Japan on which such stocks are listed for any reason other than those specified in (a) through (c) below, such stocks, shall be excluded from the negotiable securities eligible to be deposited, effective from the business day immediately following the day on which such stocks thus come to meet the delisting standards:

- (a) The issuer of the stock becomes a wholly-owned subsidiary of a company whose stock is listed in an exchange financial instruments market in Japan (hereinafter called “listed company”) as a consequence of share exchange or share transfer; or
  - (b) The issuer of the stock is merged by a listed company; or
  - (c) The stock is delisted for any other reason and the stock delivered in exchange therefor is expected to be promptly listed in an exchange financial instruments market in Japan.
- (3) Re-valuation and additional deposit of negotiable securities

Negotiable securities once deposited as Exchange Margin shall be re-valued after the close of the day session of each business day, based on its market price as of the business day immediately preceding such business day (or, if such business day is a holiday of a financial instruments exchange in Japan on which such securities are traded, the business day immediately preceding such business day not falling on the said exchange’s holiday) multiplied by the rate shown in Appendix 1 to the Margin Regulations, and if, as a result of such valuation, the amount of Exchange Margin becomes short of the required amount, the Clearing Member shall deposit with the Exchange an amount of cash or negotiable securities which is equal to or more than the shortfall as Exchange Margin not later than 11:00 a.m. of the business day immediately following the day on which such shortfall occurred.

**Article 3-2. Ownership of Eligible Securities**

A Customer and a Clearing Member may deposit as eligible securities only those negotiable securities in respect of which they are the substantive owners.

**Article 3-3. (Deleted)**

**Article 4. Matters concerning Evidence of Margins, etc.**

The documents referred to in Article 6.5 of the Margin Regulations shall be margin ledgers and other documents determined necessary by the Exchange and upon request from the Exchange, each Trading Member shall promptly submit such documents to the Exchange.

**Article 5. Definition of Authorized Affiliate**

5.1 An “authorized affiliate” as set forth in Article 6.3(5) of the Margin Regulations shall be each of the following corporations:

- (1) A corporation which substantially holds the majority of voting rights in a Clearing Member;
- (2) A corporation the majority of voting rights in which is substantially held by a Clearing Member;
- (3) A corporation which is the corporation falling under the category of Article 5.1(1) above for a Clearing Member, and which holds a corporation falling under the category of Article 5.1(2) above which is not a Clearing Member or a Non-Clearing Member; or
- (4) A corporation which substantially holds not less than 20% and not

more than 50% of voting rights in a Clearing Member and which has material influence on the decision of financial and operating policy of such Clearing Member through personnel, funds, technology, transactions or other activities, or vice versa.

5.2 In addition to those set forth in each Item of Article 5.1 above, a Clearing Member may designate an authorized affiliate of such Clearing Member whenever the Clearing Member determines it necessary to do so.

## **Article 6. Method of Management of Customer Margin**

6.1 The method of management referred to in Article 11.2 of the Margin Regulations shall be either of the following methods, provided, however, that in each case management shall be made at the account which is expressly designated as Customer Margin account:

- (1) Deposit in a financial institution designated in Article 143, Paragraph 1, Item 2 ( i ) of the Cabinet Office Ordinance on financial instruments business, etc. (the “Ordinance” in Article 6 Item 2 and Article 7 hereof) ; or
- (2) Monetary trust with a trust company or a bank operating trust business, each as provided for in Article 143, Paragraph 1, Item 2 ( ii ) of the Ordinance.

6.2 Notwithstanding Article 6.1 above, with respect to a Japanese Yen Interest Rate Remote Trading Member, the method of management referred to in Article 11.2 of the Margin Regulations shall be designated by the Exchange.

6.3 Any Trading Member who itself is the financial institution set forth in Article 6.1(1) above may choose to manage the Customer Margin in a segregated account (betsudan yokin) opened and maintained in itself.

## **Article 7. Notification at the Time of Deposit of Eligible Securities**

A Trading Member who deposits the negotiable securities set forth in 2 of Appendix 1 to the Margin Regulations shall submit the document specified in each Item below at the time of deposit of such negotiable securities in accordance with the classification specified below;

- (1) A Trading Member who is a financial instruments firm engaged in the first financial instruments business  
A report specified in Article 173, Item 1 of the Ordinance
- (2) A Trading Member who is a registered financial institution  
A report specified in Article 188, Item 1 of the Ordinance
- (3) A Trading Member who is a financial instruments firm not engaged in the first financial instruments business  
Either report specified in the preceding two Items or any other document equivalent thereto

## **Article 8. Method of Adjustment of Option Value**

8.1 In calculating the required amount of Exchange Margin set forth in Article 2.1(6) of the Margin Regulations or a Non-Clearing Member Margin, such margin requirement or Non-Clearing Member Margin shall be adjusted by the option value so that: (i) where the total of the option values set forth in (1) and (2) below is greater than zero, such total shall be subtracted from the SPAN Margin Requirement, and (ii) where the total of the option values set forth in (1) and (2) below is less than zero, the absolute value of such total shall be added to the SPAN Margin Requirement:

- (1) The sum of value of each short position specified in the Special Provisions for Trading Regulations and Brokering Terms for Options (hereinafter called the “Special Provisions for Options”) valued at the Daily Settlement Price, as calculated by reference to the following formula with respect to each series:

2,500 Yen x Daily Settlement Price of the relevant trading day / 0.01 x trading volume; and

- (2) The sum of value of each long position specified in the Special Provisions for Options valued at the Daily Settlement Price, as calculated by reference to the following formula with respect to each series:

2,500 Yen x Daily Settlement Price of the relevant trading day / 0.01 x trading volume

8.2 In the calculation of option value pursuant to Article 8.1 above, such calculation shall be made for each position broken down by the Trading Member's house account and an account of a third party, and any fraction less than one thousand (1,000) Yen resulting from aggregating those option values, if any, shall be discarded, provided, however, that if the option value accordingly becomes less than zero, the absolute value of such fraction shall be rounded up.

#### **Article 9. Restrictions on Eligible Securities**

If it is deemed inappropriate to value or receive eligible securities in accordance with the Margin Regulations due to excess volatility in the market, etc. or when deemed necessary by the Exchange, the Exchange may take any action set forth below or any other measures deemed necessary by it;

- (1) Reduction of the rates by which the market prices are multiplied as set forth in Appendixes 1 and 2 to the Margin Regulations
- (2) Restrictions on receipt of certain negotiable securities as eligible securities
- (3) Restrictions on deposit of negotiable securities as margins

#### **Article 10. Notification Deadline for Provisional Account Position**

The time prescribed to be separately designated by the Exchange under Article 8.2 of the Margin Regulations shall be thirty (30) minutes after the close of the evening session following the day session on the trading day on which the market derivatives contract executed for the provisional account position to be notified is executed or the L-T Link Position arising as the provisional account position to be notified arises (or thirty (30) minutes after the close of the same trading day's day session, if matching is not conducted in that trading day's evening session).

**Article 11. Manner of Determination of Intraday Settlement Price**

11.1 The Intraday Settlement Price set forth in Article 17.2 of the Margin Regulations that shall be determined for each contract month shall be any of the prices set forth in the following Items as applicable, calculated by the manner set forth in the same Item:

- (1) The Intraday Settlement Price shall be the volume-weighted average of contract prices (except for the contract price and the trading volume of the market derivatives contracts executed by strategy trade, and such exception is applicable to the reference to "the contract price" in Article 11.1(2) below) of all the market derivatives contracts for each contract month that have been executed by the auction method during a specific period of time ending before the close of day session on the trading day on which the intraday additional margin call notice relevant to such Intraday settlement Price is given, as may be determined by the Exchange from time to time as necessary but in no case ending later than 11:30 a.m. of the trading day (hereinafter called the "Intraday Settlement Price Indicative Period");
- (2) Provided, however, that if there is no contract price during the Intraday Settlement Price Indicative Period as defined in Article 11.1(1) above on that trading day, the Intraday Settlement Price on that trading day shall be the Intraday Settlement Price for the most recent contract month as of that trading day adjusted by the difference between the daily settlement price for the relevant contract month and that for the

most recent contract month as of the trading day immediately preceding such trading day; and

- (3) Notwithstanding Articles 11.1(1) and 11.1(2) above, if the Exchange determines that the price obtained in the manner set forth in Article 11.1(1) above is not appropriate or the price prescribed in Article 11.1(2) above cannot be obtained, the Exchange shall determine the Intraday Settlement Price as it deems appropriate in view of the prevailing market conditions and other grounds.

11.2 The Intraday Settlement Price set forth in Article 17.2 of the Margin Regulations that is to be determined for each of the series designated in the Special Provisions for Options shall be either of the prices set forth in the following Items as applicable, calculated by the manner set forth in the same Item:

- (1) The Intraday Settlement Price shall be the figure obtained as theoretical price by reference to Schedule “Theoretical Option Price Formula” as set forth in Schedule 3 of the Special Provisions for Options;
- (2) Provided, however, that if the figure cannot be obtained in the manner set forth in Article 11.2(1) above or if the Exchange determines that the theoretical price obtained in the manner set forth in Article 11.2(1) above is not appropriate, the Exchange shall determine the Intraday Settlement Price as it deems appropriate.

**Article 12. (Deleted)**

**Article 13. (Deleted)**

## **SUPPLEMENTARY PROVISIONS**

These amended regulations shall take effect as from December 1, 2011.

### **SUPPLEMENTARY PROVISIONS**

These amended regulations shall take effect as from July 3, 2017.

### **SUPPLEMENTARY PROVISIONS**

These amended regulations shall take effect as from August 31, 2017.

### **SUPPLEMENTARY PROVISIONS**

These amended regulations shall take effect as from March 20, 2023.