

[English Translation]

## **MARKET MAKER REGULATIONS**

### **TOKYO FINANCIAL EXCHANGE INC.**

(This is an English translation of the Market Maker Regulations, the original of which 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 content of this English text.)

Market Maker Regulations  
Table of Contents

	Page
Article 1. Purpose .....	1
Article 2. Definitions .....	1
Article 3. Designation of Market Maker .....	1
Article 4. Resignation of Market Maker .....	2
Article 5. Revocation of Designation as Market Maker .....	2
Article 6. Announcement of Designation, Resignation or Revocation of Designation .....	2
Article 7. Designated Products .....	2
Article 8. Designated Contract Months .....	3
Article 8-2. Designated Series .....	3
Article 9. Designated Market-making Period .....	4
Article 10. Duties of Market Makers .....	5
Article 11. Special Provisions for Duties of Market Makers .....	8
Article 12. Restrictions on Pricing .....	9
Article 13. Temporary Measures .....	9
Article 14. Payment of Incentive Fees .....	9
Article 15. Restrictions on Solicitation of Customers .....	10
Article 16. Notice of Amendment .....	10
Article 17. Decision, Etc. of Necessary Matters .....	10
Article 18. Notification of Market Making Operator, Etc. ....	10
Article 19. Notification of Trading ID for Market Making .....	11
 SUPPLEMENTARY PROVISIONS .....	 11

## **Article 1.Purpose**

These Regulations set forth the matters necessary for a program for Market Makers, or the Trading Members who are obligated to submit both a bid and an offer (or bids and offers), either sequentially or simultaneously, during the period of hours designated by the Exchange (hereinafter called the “designated market-making period”) and at any times requested by the Exchange with respect to a designated contract month or designated series (as defined in the subsequent sentence). A “designated contract month” or “designated series” means such contract month or series that is designated by the Exchange for each of the designated products, and a “designated product” referred to in these Regulations means any of the financial indices, etc. or options designated by the Exchange pursuant to Article 11.8 of the Trading Regulations or Article 9.8 of the Special Provisions for Trading Regulations and Brokering Terms for Options (hereinafter called the “Special Provisions for Options”).

## **Article 2.Definitions**

Unless otherwise specifically defined herein, the definitions of the terms set forth in the Articles of Incorporation, the Trading Regulations and the Special Provisions for Options shall apply in these Regulations.

## **Article 3.Designation of Market Maker**

3.1 The Exchange shall seek applications from Trading Members who desire to be designated as Market Maker for each designated product during the application period specified by the Exchange. If a Non-Clearing Member desires to be designated as Market Maker, its application for designation as Market Maker shall be submitted with its Designated Clearing Member’s prior consent.

3.2 When the Exchange conducts a screening for designating Market Makers, such screening shall be based on the respective applicant’s trading experiences, etc. on the Exchange, on any other domestic or foreign financial instruments exchanges, etc. to which it belongs, and on financial markets and others.

3.3 When the Exchange designates a Market Maker, the Exchange shall specify the date and time from which the term for such designation will take effect and communicate it

to the Market Maker in writing.

#### **Article 4. Resignation of Market Maker**

A Trading Member who is a Market Maker may resign as Market Maker by providing the Exchange with at least one (1) month's prior written notice and specifying the time of resignation which shall not be within three (3) months after the start of the term of Market Maker.

#### **Article 5. Revocation of Designation as Market Maker**

If the Exchange reasonably considers it necessary to revoke designation as Market Maker, the Exchange shall specify the time from which the revocation will take effect and give a written notice of revocation to the Market Maker.

#### **Article 6. Announcement of Designation, Resignation or Revocation of Designation**

If the Exchange designates a Market Maker, allows resignation as Market Maker, or revokes designation as Market Maker pursuant to Article 3, 4 or 5 hereof, the Exchange shall communicate such designation, resignation or revocation of designation to all the concerned Trading Members in the manner prescribed by the Exchange.

#### **Article 7. Designated Products**

The designated products shall be as set forth below.

- (1) Two-year ¥ Swapnote<sup>TM</sup>, Five-year ¥ Swapnote<sup>TM</sup>, Seven-year ¥ Swapnote<sup>TM</sup> and Ten-year ¥ Swapnote<sup>TM</sup>
- (2) Put option on a Three-month Euroyen futures and call option on a Three-month Euroyen futures
- (3) Over-Night Call Rate futures
- (4) Spot-Next Repo Rate futures

## **Article 8.Designated Contract Months**

8.1 The designated contract months shall be as set forth below.

- (1) Two-year ¥ Swapnote<sup>TM</sup>, Five-year ¥ Swapnote<sup>TM</sup>, Seven-year ¥ Swapnote<sup>TM</sup> and Ten-year ¥ Swapnote<sup>TM</sup>:

The contract months available for trading during the designated market-making period set forth in Article 9 hereof on the respective business day, to be specified by the Exchange out of those set forth in Article 4.3(2) of the Trading Regulations

- (2) Over-Night Call Rate futures:

The contract months available for trading during the designated market-making period set forth in Article 9 hereof on the respective business day, to be specified by the Exchange out of those set forth in Article 4.3(3) of the Trading Regulations

- (3) Spot-Next Repo Rate futures:

The contract months available for trading during the designated market-making period set forth in Article 9 hereof on the respective business day, to be specified by the Exchange out of those set forth in Article 4.3(4) of the Trading Regulations

8.2 Notwithstanding the provisions of Article 8.1 above, the Exchange may change the designated contract months set forth in Article 8.1 above for a specific Market Maker when the Exchange deems it necessary. In this case, the Exchange shall notify the concerned Market Maker to that effect in advance.

## **Article 8-2.Designated Series**

8-2.1 The designated series shall be as set forth below.

Put option on a Three-month Euroyen futures and call option on a Three-month

Euroyen futures:

The series available for trading during the designated market-making period set forth in Article 9 hereof on the respective business day, to be specified by the Exchange out of those set forth in Article 4.2 of the Special Provisions for Options

8-2.2 Notwithstanding the provisions of Article 8-2.1 above, the Exchange may specify any other series as a designated series or change the designated series set forth in Article 8-2.1 above for a specific Market Maker when the Exchange deems it necessary. In this case, the Exchange shall notify the concerned Market Maker to that effect in advance.

### **Article 9.Designated Market-making Period**

The designated market-making period for each designated product shall be as set forth below.

- (1) Two-year ¥ Swapnote<sup>TM</sup>, Five-year ¥ Swapnote<sup>TM</sup>, Seven-year ¥ Swapnote<sup>TM</sup> and Ten-year ¥ Swapnote<sup>TM</sup>:

The hours to be specified by the Exchange for the respective contract month, which shall fall within the Market Trading Period set forth in Article 5.1(2), 5.2(2) or 5.4 of the Trading Regulations on each business day for the designated contract month as set forth in Article 8 hereof

- (2) Put option on a Three-month Euroyen futures and call option on a Three-month Euroyen futures:

The hours to be specified by the Exchange for the respective series, which shall fall within the Market Trading Period set forth in Article 6.1(2), 6.2 or 6.4 of the Special Provisions for Options on each business day for the designated series as set forth in Article 8-2 hereof

- (3) Over-Night Call Rate futures:

The hours to be specified by the Exchange, which shall fall within the Market Trading Period set forth in Article 5.1(2), 5.2(3) or 5.4 of the Trading Regulations on each business day for the designated contract

months set forth in Article 8 hereof

(4) Spot-Next Repo Rate futures:

The hours to be specified by the Exchange, which shall fall within the Market Trading Period set forth in Article 5.1(2), 5.2(4) or 5.4 of the Trading Regulations on each business day for the designated contract months set forth in Article 8 hereof

**Article 10. Duties of Market Makers**

10.1 A Market Maker whose term has started (hereinafter merely referred to as a “Market Maker”, except as referred to in Articles 15 and 18 hereof) shall submit bids and offers for the respective designated product during the designated market-making period and pursuant to the conditions set forth below for the respective designated product.

(1) Two-year ¥ Swapnote<sup>TM</sup>, Five-year ¥ Swapnote<sup>TM</sup>, Seven-year ¥ Swapnote<sup>TM</sup> and Ten-year ¥ Swapnote<sup>TM</sup>:

- (a) At the opening of each designated market-making period, the Market Maker shall submit both a bid and an offer (or bids and offers) sequentially or simultaneously for the respective designated contract month.
- (b) If any market derivatives contract(s) is/are executed during the designated market-making period with respect to the full volume of, or any part of, the offer(s) submitted pursuant to Item (a) above and thus the volume of the offer(s) then submitted by the Market Maker pursuant to Item (a) above falls below the minimum volume specified by the Exchange under Article 12.2 hereof, the Market Maker shall promptly submit a new offer or offers to maintain the requisite minimum volume.
- (c) If any market derivatives contract(s) is/are executed during the designated market-making period with respect to the full volume of, or any part of, the bid(s) submitted pursuant to Item (a) above and thus the volume of the bid(s) then submitted by the Market

Maker pursuant to Item (a) above falls below the minimum volume specified by the Exchange under Article 12.2 hereof, the Market Maker shall promptly submit a new bid or bids to maintain the requisite minimum volume.

- (d) If, during the designated market-making period, the Market Maker intends to change the contents of either or both of the bid and offer (or bids and offers) submitted pursuant to Items (a) through (c) above, the Market Maker shall cancel the concerned bid and/or offer (or bids and/or offers) and submit a new bid and/or offer (or bids and/or offers) sequentially or simultaneously in place of the cancelled bid and/or offer (or bids and/or offers).
- (2) Put option on a Three-month Euroyen futures and call option on a Three-month Euroyen futures:
- (a) At the opening of each designated market-making period, the Market Maker shall submit both a bid and an offer (or bids and offers) sequentially or simultaneously for each designated series. Notwithstanding the foregoing, if any offer is submitted in the price falling below the figure specified by the Exchange, the Market Maker shall have no obligation to submit a bid or bids corresponding to such offer, and this provision shall similarly apply in Article 10.2 below.
  - (b) If any market derivatives contract(s) is/are executed during the designated market-making period with respect to the full volume of, or any part of, the offer(s) submitted by the Market Maker pursuant to Item (a) above and thus the volume of the offer(s) then submitted pursuant to Item (a) above falls below the volume specified by the Exchange under Article 12.2 hereof, the Market Maker shall promptly submit a new offer or offers in a volume equal to or exceeding the volume corresponding to such shortfall.
  - (c) If any market derivatives contract(s) is/are executed during the designated market-making period with respect to the full volume of, or any part of, the bids then submitted by the Market Maker

pursuant to Item (a) above and thus the volume of the bid(s) then submitted pursuant to Item (a) above falls below the volume specified by the Exchange under Article 12.2 hereof, the Market Maker shall promptly submit a new bid or bids in a volume equal to or exceeding the volume corresponding to such shortfall.

(d) If, during the designated market-making period, the Market Maker intends to change the contents of either or both of the bid and offer (or bids and offers) submitted pursuant to Items (a) through (c) above, the Market Maker shall cancel the concerned bid and/or offer (or bids and/or offers) and submit a new bid and/or offer (or bids and/or offers) sequentially or simultaneously in place of the cancelled bid and/or offer (or bids and/or offers).

(3) Over-Night Call Rate futures and Spot-Next Repo Rate futures:

(a) At the opening of each designated market-making period, the Market Maker shall submit both a bid and an offer (or bids and offers) sequentially or simultaneously for each designated contract month.

(b) If any market derivatives contract(s) is/are executed during the designated market-making period with respect to the full volume of, or any part of, the offer(s) submitted by the Market Maker pursuant to Item (a) above and thus the volume of the offer(s) then submitted pursuant to Item (a) above has fallen below the volume specified by the Exchange under Article 12.2 hereof, the Market Maker shall promptly submit a new offer or offers in a volume equal to or exceeding the volume corresponding to such shortfall.

(c) If any market derivatives contract(s) is/are executed during the designated market-making period with respect to the full volume of, or any part of, the bids then submitted by the Market Maker pursuant to Item (a) above and thus the volume of the bid(s) then submitted pursuant to Item (a) above falls below the volume specified by the Exchange under Article 12.2 hereof, the Market

Maker shall promptly submit a new bid or bids in a volume equal to or exceeding the volume corresponding to such shortfall.

- (d) If, during the designated market-making period, the Market Maker intends to change the contents of either or both of the bid and offer (or bids and offers) submitted pursuant to Items (a) through (c) above, the Market Maker shall cancel the concerned bid and/or offer (or bids and/or offers) and submit a new bid and/or offer (or bids and/or offers) sequentially or simultaneously in place of the cancelled bid and/or offer (or bids and/or offers).

10.2 Notwithstanding the provisions of Article 10.1 above, if the Exchange requests, on a certain business day, that a Market Maker submit a bid and an offer for a specific contract month identified as being a designated contract month on the said business day in accordance with Article 8 hereof or for a specific series identified as being a designated series on the said in accordance with Article 8-2 hereof, the Market Maker shall promptly submit a new bid and offer (or bids and offers) sequentially or simultaneously for the said designated contract month or designated series.

#### **Article 11. Special Provisions for Duties of Market Makers**

11.1 If the contracts for any specific designated contract month as set forth in Article 8 hereof are executed during any business day's day session with respect to the bids and offers submitted by a Market Maker on the same business day pursuant to Article 10 hereof and the total volume of the contracts for such designated contract month executed as aforesaid reaches or exceeds the volume specified by the Exchange (hereinafter called the "minimum goal"), or if the contracts for all the designated series as set forth in Article 8-2 hereof are executed during any business day's day session with respect to the bids and offers submitted by a Market Maker on the same business day pursuant to Article 10 hereof and the total volume of the contracts for all such series executed as aforesaid reaches or exceeds the minimum goal, the provisions of Article 10 hereof applicable to such designated contract month or designated series shall no longer apply with respect to the said Market Maker for the remaining period of that business day's designated market-making period.

11.2 If the Exchange determines that a market derivatives contract has been executed between an offer and a bid submitted by an identical Market Maker for any designated contract month or designated series, the volume of all such market derivatives contracts

shall be omitted for the purpose of computing the minimum goal achieved by the Market Maker.

11.3 Notwithstanding the provisions of Articles 11.1 and 11.2 above, the Exchange may set a separate minimum goal for all the Market Makers or for any specific Market Maker(s) when the Exchange deems it necessary. In this case, the Exchange shall obtain prior consent from the concerned Market Makers.

11.4 Notwithstanding the provisions of Articles 11.1 through 11.3 above, the Exchange may refrain from applying the provisions relating to the minimum goal when the Exchange deems it necessary.

#### **Article 12.Restrictions on Pricing**

12.1 The difference between the prices of the corresponding offer and bid for any designated contract month or designated series submitted by a Market Maker in accordance with Article 10 hereof shall not exceed the figure to be specified by the Exchange.

12.2 The volume of the offer or offers and the volume of the bid or bids for any designated contract month or designated series submitted by a Market Maker in accordance with Items (1)(a) and (1)(d), Items (2)(a) and (2)(d) and Items (3)(a) and (3)(d) of Article 10.1 hereof shall not fall below the volumes to be specified by the Exchange respectively.

#### **Article 13.Temporary Measures**

13.1 Notwithstanding the provisions of Articles 9 through 12 hereof, the Exchange may take any temporary measures if the Exchange deems it necessary to do so in light of the condition in any market derivatives transactions on the Exchange's market or any other market, the condition of any domestic or foreign financial transaction, or any other situation.

13.2 If any temporary measure is taken pursuant to Article 13.1 above, the Exchange shall promptly notify each Market Maker to that effect.

#### **Article 14.Payment of Incentive Fees**

The Exchange shall pay incentive fees to Market Makers in accordance with the terms and conditions to be prescribed by the Exchange.

## **Article 15.Restrictions on Solicitation of Customers**

A Trading Member designated as Market Maker shall not conduct solicitation, advertisement or any other activity to invite customers in such a way to cause them to believe that trading with a Market Maker might be more favorable than trading with any other Trading Member not designated as Market Maker.

## **Article 16.Notice of Amendment**

If the Exchange amends these Regulations, the Exchange shall notify Trading Members to that effect in advance.

## **Article 17.Decision, Etc. of Necessary Matters**

17.1 In addition to the provisions of these Regulations, the Exchange may prescribe detailed rules for any necessary matters or take any necessary steps.

17.2 If the Exchange prescribes any detailed rules or take other equivalent steps pursuant to Article 17.1 above, the Exchange shall notify the relevant Trading Members to that effect without delay.

## **Article 18.Notification of Market Making Operator, Etc.**

18.1 In order to receive any request set forth in Article 18.3 below or any other notice from the Exchange, a Market Maker shall authorize its Trading Officer to appoint and dismiss a liaison officer representing the Market Maker who is selected from its employees resident in the workplace where its Member's terminal device is installed (hereinafter called a "Market Making Operator").

18.2 If a Market Making Operator is appointed or replaced pursuant to Article 18.1 above, the Market Maker or its Trading Officer shall notify the Exchange in advance in the prescribed form.

18.3 If the Exchange intends to request submission of a bid and an offer or give any other notice to a Market Maker in accordance with these Regulations or any detailed rules or steps as set forth in Article 17 hereof, the Exchange shall be deemed to have made such

request or notice when it has notified any one of the Market Maker's Trading Officer and Market Making Operators.

**Article 19. Notification of Trading ID for Market Making**

A Market Maker relevant to any designated product set forth in Article 7 hereof shall communicate a Trading ID or Trading IDs to be used for its market making to the Exchange in the manner to be prescribed by the Exchange.

**SUPPLEMENTARY PROVISIONS**

The amended Regulations shall take effect as from December 3, 2007.