

[English Translation]

## **INSPECTION REGULATIONS**

**TOKYO FINANCIAL EXCHANGE INC.**

(This is an English translation of the Inspection 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 contents of this English text.)

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**Article 1. Purpose**

1.1 These Regulations set forth the matters necessary for inspection of a Trading Member or Clearing Member (hereinafter collectively called “Trading/Clearing Member”) conducted by the Exchange pursuant to Article 58 and Chapter IV of Part II of the Trading Member Regulations and Article 14-6 and Section 5 of Chapter II of the Clearing Regulations (hereinafter called “Inspection”) and the measures to be taken based on the findings of the Inspection.

1.2 Amendments to these Regulations shall be effected by resolution of the Self-regulatory committee, unless such amendment is not significant.

**Article 2. Inspector**

The Exchange shall have Inspection conducted by a person designated by the Exchange from its staff members (hereinafter called an “Inspector”). The Exchange may allow an Inspector to use an assistant if the Exchange deems it necessary.

**Article 3. Types and Methods of Inspections**

3.1 The types of Inspections shall be as listed below.

(1) Regular Inspection

Inspection of overall operations for market derivatives transactions on the Exchange Market by Trading/Clearing Members

(2) Inspection for confirmation

Inspection of a Trading/Clearing Member who has been required to make reporting under Article 68.2 of the Trading Member Regulations or Article 15-8.2 of the Clearing Regulations, to be conducted where necessary

(3) Special Inspection

Inspection to be temporarily conducted, separately from Regular Inspection

3.2 The manners of Inspections shall be as set forth below.

(1) Documentary Inspection

Inspection of documents submitted by a Trading/Clearing Member to the Exchange

(2) Field Inspection

Inspection to be conducted at a sales office or business office of a Trading/Clearing Member

**Article 4. Advance Notice of Inspection**

If a Field Inspection is conducted, the Exchange shall notify the concerned Trading/Clearing Member of its date and manner and the name of an Inspector in advance. However, this advance notice may be omitted if the Exchange deems it necessary to refrain from making an advance notice.

**Article 5. Inspector's Authority**

An Inspector may require that the concerned Trading/Clearing Member present, or make available for access, accounting books and documents and other objects or submit information materials or give explanations on the concerned facts, if the Inspector considers it necessary for the Inspection set forth in Article 1 hereof.

**Article 6. Inspector's Confidentiality Obligation**

An Inspector shall not divulge to any other person any secret that he/she may become aware of in relation to the duties for Inspections nor fraudulently use such secret.

**Article 7. Trading / Clearing Members' Duty**

No Trading/Clearing Member shall unreasonably refuse a requirement made by an Inspector under Article 5 hereof.

**Article 8. Presentation of Inspector Certificate**

An Inspector shall present his/her inspector certificate to the concerned Trading/Clearing Member before commencing his/her duties for Inspection.

**Article 9. Measures Based on Inspection Findings**

If, as a result of any Inspection of a Trading/Clearing Member, the Exchange finds an inconsequential flaw and considers such flaw to possibly give rise to violation of any applicable law or any applicable regulation of the Exchange, even though such flaw does not fall under the objects or events to which disciplinary measures, regulatory measures or recommendations specified in Chapter IV of Part II of the Trading Member Regulations or Section 5, Chapter II of the Clearing Regulations will be applied, the Exchange may promote awareness by the concerned Trading/Clearing Member.

**Article 10. Notice of Inspection Findings**

If and after an Inspection is finished, the Exchange shall notify the concerned Trading/Clearing Member of the findings of the Inspection including the contents of the measures to be taken based thereon.

**Article 11. Joint Inspection**

The Exchange may conduct an Inspection in conjunction with the financial instruments firms association.

**SUPPLEMENTARY PROVISIONS**

The amended Inspection Regulations shall take effect as from September 30, 2007.