

[English Translation]

**REGULATIONS FOR ELIGIBLE SECURITIES  
FOR CLEARING DEPOSIT**

**TOKYO FINANCIAL EXCHANGE INC.**

(This is an English translation of the Regulations for eligible securities, etc. for Clearing Deposit, 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.)

Regulations for Eligible Securities for Clearing Deposit  
Table of Contents

|  | Page      |
|--|-----------|
| Article 1. Purpose.....  | 1         |
| Article 2. Kinds, Appropriable Amount and Revaluation of Eligible Securities .....   | 1         |
| Article 3. Adjustment of Fractional Amount.....  | 1         |
| Article 4. Manner of Deposit of Eligible Securities.....   | 2         |
| Article 5. Exclusion from Scope of Eligible Securities .....   | 2         |
| Article 6. (Deleted).....  | 3         |
| Article 7. Ownership of Eligible Securities .....  | 3         |
| Article 8. (Deleted).....  | 3         |
| Article 9. Prohibition of Deposit of Negotiable Securities issued by Itself, etc. ....   | 3         |
| Article 10. Restrictions on Eligible Securities .....  | 4         |
| <br>SUPPLEMENTARY PROVISIONS .....   | <br>4     |
| <br>Appendix Kind of eligible securities which may be deposited with the Exchange as<br>appropriation for market entry deposit and applicable multiplier thereof (in relation<br>to Article 2) ..... | <br><br>6 |

## **Article 1. Purpose**

The purpose of these Regulations shall be to set forth necessary matters with respect to the kinds of negotiable securities to be deposited with the Exchange as appropriation for clearing deposit and the appropriable amount thereof upon depositing in accordance with Article 31.4 of the Clearing Regulations.

## **Article 2. Kinds, Appropriable Amount and Revaluation of Eligible Securities**

2.1 The kinds of the negotiable securities to be deposited with the Exchange as appropriation for clearing deposit (hereinafter called “Eligible Securities for Clearing Deposit”) shall be those listed in the Appendix attached hereto, and the appropriable amount upon depositing of the same shall be the amount not exceeding the market price thereof provided for in Note 2 to the said Appendix as of the second (2nd) business day (meaning the “business day” set forth in Article 6-2 of the Trading Regulations; the same shall apply hereinbelow) prior to the business day on which the deposit is made (if such second (2nd) business day falls on a holiday of the relevant financial instruments exchange within Japan, the immediately preceding business day of such exchange) multiplied by the applicable rate set forth in the said Appendix.

2.2 In respect of any Eligible Securities for Clearing Deposit having already been deposited, the appropriable amount thereof shall be calculated after close of the day session (meaning the day session set forth in Article 5.1(2)(a) of the Trading Regulations) on each business day as the product of the market price thereof provided for in Note 2 to the Appendix attached hereto as of the immediately preceding business day (if such immediately preceding business day falls on a holiday of the relevant financial instruments exchange within Japan, the immediately preceding business day of such exchange) multiplied by the applicable rate set forth in the said Appendix.

## **Article 3. Adjustment of Fractional Amount**

With respect to the negotiable securities set forth in the Appendix attached hereto, any fractional amount arising from calculation of the appropriable amount of those negotiable securities shall be adjusted as follows:

- (1) With respect to stocks set forth in 2 of the Appendix attached hereto:

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

- (2) With respect to the negotiable securities other than those set forth in (1) above:

Any fractional amount less than one-hundredth (1/100) Yen shall be discarded.

#### **Article 4. Manner of Deposit of Eligible Securities**

4.1 The Japanese Government bonds set forth in 1 of the Appendix attached hereto may be deposited by way of transfer to the account opened and maintained in the name of the Exchange with the Bank of Japan.

4.2 The stocks set forth in 2 of the Appendix attached hereto may be deposited by way of transfer to the account opened and maintained in the name of the Exchange with Japan Securities Depository Center, Inc.

#### **Article 5. Exclusion from Scope of Eligible Securities**

If stocks listed in 2 of the Appendix attached hereto designated as eligible securities for clearing deposit fall under the criteria for delisting at all financial instruments exchanges in Japan on which such negotiable securities are listed for any reason other than those specified in (1) through (3) below, such stocks shall be excluded from the eligible securities for clearing deposit as from the business day immediately following the day on which they fall under the criteria:

- (1) The issuer of the stock becomes a wholly-owned subsidiary of a company whose stock is listed on an exchange financial instruments market in Japan (hereinafter called "listed company") as a consequence of share exchange or share transfer; or
- (2) The issuer of the stock is merged by a listed company; or
- (3) The stock is delisted for any other reason and the stock delivered in exchange therefor is expected to be promptly listed on an exchange financial instruments market in Japan.

**Article 6. (Deleted)**

**Article 7. Ownership of Eligible Securities**

A Clearing Member may deposit as eligible securities only those negotiable securities in respect of which it is the substantive owner.

**Article 8. (Deleted)**

**Article 9. Prohibition of Deposit of Negotiable Securities issued by Itself, etc.**

9.1 A Clearing Member shall not be allowed to deposit the negotiable securities issued by any of the persons set forth below as eligible securities.

- (1) the Clearing Member itself
- (2) Parent company of the Clearing Member (which means a parent company defined in Article 8, Paragraph 3 of the Rules Concerning Terms, Forms and Procedures for Financial Statements, etc. (Finance Ministry Ordinance No. 59 of 1963) and the same shall apply in (4) below)
- (3) A subsidiary of the Clearing Member (which means a subsidiary defined in Article 8, Paragraph 3 of the Rules Concerning Terms, Forms and Procedures for Financial Statements, etc. and the same shall apply in Item (4) below)
- (4) A subsidiary of a parent company of the Clearing Member

9.2 A Clearing Member who deposits the negotiable securities set forth in 2 of Appendix attached hereto 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 Clearing Member who is a financial instruments firm engaged in the first financial instruments business  
A report specified in Article 173, Item 1 of the Cabinet Office Ordinance

on financial instruments business, etc. (Cabinet Office Ordinance No. 52 of 2007) (the “Ordinance” in Article 9.2(2) below);

- (2) A Clearing Member who is a registered financial institution  
A report specified in Article 188, Item 1 of the Ordinance
- (3) A Clearing 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 10. Restrictions on Eligible Securities**

If it is deemed inappropriate to value or receive eligible securities in accordance with Article 2 hereof due to excess volatility in the market, etc. or when deemed necessary by the Exchange, the Exchange may take any measures 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 Appendix attached hereto
- (2) Restrictions on receipt of certain negotiable securities as eligible securities
- (3) Restrictions on deposit of negotiable securities as clearing deposit

### **SUPPLEMENTARY PROVISIONS**

These amendments shall take effect as from January 10, 2017.

### **SUPPLEMENTARY PROVISIONS**

These amendments shall take effect as from February 27, 2017.

## **SUPPLEMENTARY PROVISIONS**

1. These Amended Regulations shall take effect as from July 3, 2017.
2. At the time of enforcement of these Amended Regulations, a Trading Member who has deposited negotiable securities, etc. with the Exchange as prescribed in Appendix, Paragraphs 2 through 4 and Paragraphs 6 before the amendment shall receive return of such negotiable securities, etc.

## **SUPPLEMENTARY PROVISIONS**

These amendments shall take effect as from January 9, 2018.

## **SUPPLEMENTARY PROVISIONS**

These amendments shall take effect as from January 14, 2020.

## **SUPPLEMENTARY PROVISIONS**

These amendments shall take effect as from January 12, 2021.

**Appendix Kind of eligible securities which may be deposited with the Exchange as appropriation for market entry deposit and applicable multiplier thereof (in relation to Article 2)**

| Kind of negotiable securities<br>(Note3)                    | Applicable market price multiplier<br>(Note2)   |
|---|---|
| 1. Japanese Government bonds issued by the country of Japan | <p>(1) Japanese Government bonds (not including floating rate Japanese Government bonds, book-entry Japanese Government bonds eligible for principal STRIPS (Separate Trading of Registered Interest and Principal of Securities) and book-entry Japanese Government bonds eligible for coupon STRIPS) and treasury discount bills (treasury bills and financing bills)</p> <ul style="list-style-type: none"> <li>a. Within 1 year to maturity: 99%</li> <li>b. Over 1 year to 5 years to maturity: 98%</li> <li>c. Over 5 years to 10 years to maturity: 97%</li> <li>d. Over 10 years to 20 years to maturity: 95%</li> <li>e. Over 20 years to 30 years to maturity: 93%</li> <li>f. Over 30 years to maturity: 93%</li> </ul> <p>(2) Floating rate Japanese Government bonds</p> <ul style="list-style-type: none"> <li>a. Within 1 year to maturity: 99%</li> <li>b. Over 1 year to 5 years to maturity: 97%</li> <li>c. Over 5 years to 10 years to maturity: 95%</li> <li>d. Over 10 years to 20 years to maturity: 99%</li> </ul> <p>(3) Book-entry Japanese Government bonds eligible for principal STRIPS</p> <ul style="list-style-type: none"> <li>a. Within 1 year to maturity: 99%</li> <li>b. Over 1 year to 5 years to maturity: 98%</li> <li>c. Over 5 years to 10 years to maturity: 97%</li> <li>d. Over 10 years to 20 years to maturity: 94%</li> <li>e. Over 20 years to 30 years to maturity: 91%</li> <li>f. Over 30 years to maturity: 89%</li> </ul> |
| 2. Stock (except for stock                                  | 70%   |



|                            |  |
|----------------------------|--|
| acquisition right) (Note1) |  |
|----------------------------|--|

(Note1) Limited only to those listed on an Exchange Market within Japan

(Note2) The market price of above eligible securities shall be determined as follows:

- (1) For the negotiable securities listed in 1 above:
  - a. If their reference prices for transactions are published by Japan Securities Dealers Association:  
The average of such prices
  - b. If their reference prices for transactions are not published by Japan Securities Dealers Association:  
The closing price quoted on an Exchange Market within Japan (if they are listed on more than one (1) Exchange Market within Japan, the Exchange Market within Japan designated by the Exchange; the same interpretation shall apply hereinbelow)
  - c. If there is no closing price quoted on the relevant market in the case of b. above:  
The last bid or asked price quoted on the relevant market
- (2) For the negotiable securities listed in 2 above:
  - a. The closing price quoted on an Exchange Market within Japan
  - b. If there is no closing price quoted on the relevant market in the case of a. above:  
The last bid or asked price quoted on the relevant market

(Note 3) Limited only to those with respect to which the fair market value is available by any one of the ways set forth in Note 2 above.