

Outline for Margin Regulations (Interest Rate Futures contracts)

TFX Mar 20, 2014

TFX Revised Mar 20, 2023

Item	Description	Remarks
<p>1. Margin relating to customers' trade</p> <p>(1) Margin Placed or Deposited by Customer</p> <p>① Margin Requirement</p>	<ul style="list-style-type: none"> · When a Customer intends to give an order for Three-month TONA futures or Three-month Euroyen futures (hereinafter collectively called "Future contracts") and Three-month TONA futures option contracts (hereinafter called "Option contracts"), which are listed on the TFX, the Customer shall establish a transaction account for Interest Rate Futures transactions (hereinafter called "Interest Rate Futures Transactions Account") and place or deposit margin with the Trading Member as set forth in the following items. · A "margin requirement" to a customer shall be the SPAN Margin Requirement (※) adjusted by the option value (if the option value is greater than zero, such option value shall be subtracted from the SPAN Margin Requirement and (ii) if the option values is less than zero, the absolute value of such option value shall be added to the SPAN Margin Requirement. The same shall apply hereafter in calculating margin requirement). <ul style="list-style-type: none"> ※ In this case, "SPAN Margin Requirement" means the Yen amount calculated by SPAN® with respect to the Customer account position at the close of day session of each trading day. · An "option value" means the sum of a + b. <ul style="list-style-type: none"> a. The sum of the value of each long position, 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 b. The sum of the value of each short position, as calculated by reference to the 	<ul style="list-style-type: none"> · SPAN® (stands for Standard Portfolio Analysis of risk) is a method for calculation of margin amounts developed by CME (Chicago Mercantile Exchange Inc.) . · In the method of SPAN®, margin amount is calculated based on each market participant's position, i.e., the risk inherent in the overall portfolio of that market participant. · SPAN® used herein is a registered trademark of CME and used herein under license. CME assumes no liability in connection with the use of SPAN® by any person or entity. · Daily settlement prices for Three-month TONA futures option contracts shall be theoretical prices designated by the Exchange.

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<p>② Adjusted margin requirement</p>	<p>following formula with respect to each series: $\blacktriangle 2,500 \text{ Yen} \times \text{Daily Settlement Price of the relevant trading day} / 0.01 \times \text{trading volume}$</p> <ul style="list-style-type: none"> • An “adjusted margin requirement” means the margin requirement adjusted by the unrealized profit and loss, wherein (1) if there is an unrealized profit, that amount equivalent to the unrealized profit shall be subtracted from the margin requirement and (2) if there is an unrealized loss, that amount equivalent to the unrealized loss shall be added to the margin requirement. • An “unrealized profit and loss” means the following an “unrealized loss” and an “unrealized profit” collectively. <ul style="list-style-type: none"> a. An “unrealized loss” means the loss arising from fluctuations of the market price for the Future contracts. b. An “unrealized profit” means the profit arising from fluctuations of the market price for the Future contracts. 	<ul style="list-style-type: none"> • An “unrealized profit and loss” shall be calculated by adding (or subtracting) all profit or loss arising from all positions of the Future contracts (including those traded on that trading day).
<p>③ Deposited margin</p>	<ul style="list-style-type: none"> • A “deposited margin” means the sum of the amount of cash (including the amount of cash a customer transferred to margins when an unrealized profit has accrued on an unsettled Interest Rate Futures contract based on the Customer’s order) and the value of the negotiable securities placed or deposited by Customer with the Exchange as Margin for Future contracts or Option contracts. 	<ul style="list-style-type: none"> • In calculating deposited margin, eligible securities, etc. are valued based on its market price as of the business day immediately preceding the business day on which deposited margin is calculated.
<p>④ Placing or Depositing Margin</p>	<ul style="list-style-type: none"> • If a Customer’s deposited margin falls short of the adjusted margin requirement on any trading day, the concerned Trading Member shall notify the Customer of the amount according to the classifications specified below. In this case, the Customer shall place or deposit a sum not less than the notified amount with the Trading Member as margin. <ul style="list-style-type: none"> a. If the cash deficiency is less than the difference between the adjusted margin requirement and the deposited margin, the amount of the cash deficiency shall 	<ul style="list-style-type: none"> • A “cash deficiency” in Margin means the absolute value of the difference between the amount of

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<p>⑤ Period for placing or depositing Margin</p> <p>⑥ Eligible securities etc. for cash margin</p> <p>⑦ Indication by intermediate broker</p> <p>⑧ Limit of drawing margin</p>	<p>be placed or deposited.</p> <p>b. If the cash deficiency is greater than the difference between the adjusted margin requirement and the deposited margin, the amount of the cash deficiency shall be placed or deposited.</p> <p>• The Customer shall place or deposit the above mentioned amount with the Exchange not later than the time and date designated by the Trading member, which date shall fall before the second business day following the business day on which there occurs the day session of the trading day on which such cash deficiency occurred.</p> <p>• A Customer can place or deposit securities as substitute for cash margin.</p> <p>• The kinds of securities, etc. eligible for placement or deposit by Customer as margins shall be designated by the Exchange.</p> <p>• When a Customer is intermediate broker (toritsugisya), it is required to indicate the said effect and whether the margin the intermediate broker shall place are placed by offeror (moshikomisya) or, as substitute for it, placed by cash or eligible securities the intermediate broker holds after obtaining offeror's approval.</p> <p>• A Trading Member shall not allow a Customer to draw cash or eligible securities, etc. placed or deposited by it as margin based on the Customer's order, except when the amount of the placed or deposited margin is greater than the adjusted margin requirement.</p>	<p>Margin already placed or deposited in cash and the amount of the unrealized loss; provided, however, that, if the placed or deposited amount of Margin is greater than the amount of the unrealized loss, then the cash deficiency shall be zero.</p> <p>• The value of the placed or deposited eligible securities shall be calculated based on the market price on the date immediately preceding the date on which such securities placed or deposited.</p> <p>• Offeror (moshikomisya) is a person offering for the intermediation of ordering of transactions to a Trading Member.</p> <p>• Intermediate broker (toritsugisya) is a person accepting offer for intermediation of ordering of Market Transactions from an Offeror to a Trading Member.</p> <p>• The permissible amount of drawing in cash shall be limited to the amount of the margin already placed or deposited in cash as margin less the amount of the unrealized loss.</p>

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<p>⑨ Payment of Unrealized Profit or Transfer of Unrealized Profit to Margin</p>	<ul style="list-style-type: none"> Where an unrealized profit has accrued on an unsettled Interest Rate Futures contract based on a Customer's order by a fluctuation in the future market, if the amount of margin deposited by the Customer becomes greater than the adjusted margin requirement, the Trading Member can pay out in cash or transfer to the margin an amount up to the difference between the deposited margin and the adjusted margin requirement or the amount of the unrealized profit, whichever is smaller to the customer according to the Customer's request without delay. 	<ul style="list-style-type: none"> A Trading Member shall manage an unrealized profit not paid out to a customer separately from other assets in the same manner as other assets on deposit.
<p>(2) Exchange Margin Trading Member shall deposit</p>		
<p>① Deposit of Exchange Margin in direct depositing</p>	<ul style="list-style-type: none"> If a Trading Member receives an Exchange Margin from a Customer, the Trading Member shall be required to deposit the same with the Exchange (such manner of depositing being hereinafter called "direct deposit") as agent for the Customer. However, if a Customer who is obliged to deposit an Exchange Margin fails to deposit all or part of such margin with a Trading Member, the Trading Member may deposit Exchange margin from its own property on behalf of the Customer, in an amount not less than the amount of Exchange Margin, at any time but in no case later than 3 business days after the date of its receipt of the same Exchange Margin from such Customer. 	<ul style="list-style-type: none"> The Trading Member shall be required to deposit or draw an Exchange Margin from a Customer with the Exchange as agent for the Customer.
<p>② Deposit of Exchange Margin in replacement deposit</p>	<ul style="list-style-type: none"> If a Trading Member receives a Customer margin from its Customer with such Customer's prior consent to the depositing by way of replacement deposit (as defined below) having been obtained, the Trading Member shall deposit an Exchange margin with the Exchange from its own property as agent for that Customer, in an amount not less than the amount of the said Customer Margin deposited with it (such manner of depositing being hereinafter called "replacement deposit") 	<ul style="list-style-type: none"> When a Trading member deposits cash or securities, etc. held by the Trading member with the Exchange as Exchange Margin in regard to an Interest Rate Futures contracts as replacement for the cash or securities deposited by the customer, margin deposited with the Trading Member by the customer shall be treated as Customer Margin.

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<p>③ Trading Member's Advanced Depositing of Exchange Margin</p> <p>2. The Exchange Margin for its house account</p> <p>(1) Margin requirement</p> <p>(2) Eligible securities for the exchange margin</p> <p>(3) Depositing Additional Margin</p> <p>3. Exchange Margin for Provisional Account Position</p>	<ul style="list-style-type: none"> • If a Trading Member who is required to deposit an additional amount of Exchange Margin has yet to receive the corresponding Exchange Margin or Customer Margin from the Customer, the Trading Member shall deposit the Exchange Margin in an amount not less than the requisite amount thereof or an amount by which the Exchange Margin required to be deposited with respect to such Customer then falls short of, from its own property on behalf of such Customer. • Margin requirement for house account position shall be the SPAN Margin Requirement with respect to financial futures and option trading for house account adjusted by the option value. • The Exchange margin for house account may be deposited in the form of eligible securities. • TFX shall determines the kinds of the eligible securities. • Each Trading Member shall deposit with the Exchange an Exchange Margin in the amount not less than the margin requirement applicable to the house account. • Trading Member with respect to whom a provisional account position arises shall deposit with the Exchange an amount not less than the margin requirement applicable to such provisional account position as Exchange Margin, together with the Exchange Margin for its house account positions. 	<ul style="list-style-type: none"> • The Trading Member who received depositing of the Customer Margin shall manage the same separately from its own property. • A Trading member shall report to the customer the state of replacement deposit according to a request by the customer. • TFX shall inform each Trading Member of the Margin requirement for house account position via clearing terminal device after the close of the evening session. • A way of evaluating eligible securities is same as one of evaluating Exchange margin placed or deposited by a Customer. • “Provisional account position” means a position taken for the account of a financial futures contract executed on a certain trading day, with respect to which any of the matters specified in Items below failed to be notified to the Exchange by 5:00 p.m. of

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<p>(3) Separate Depositing by a Clearing Member</p>	<p>the Exchange as its agent.</p> <ul style="list-style-type: none"> • A Clearing member shall deposit an Exchange margin with the Exchange in accordance with the classifications specified as follows. <ol style="list-style-type: none"> ① Those deposited for Clearing Member’s house account ② Those deposited for the accounts of Clearing Member’s Customer by way of direct deposit ③ Those deposited for the accounts of Clearing Member’s Customer by way of replacement deposit (except those set forth in item ④) ④ Those deposited for the accounts of Clearing Member’s Customer by way of replacement deposit by the intermediate brokers ⑤ Those deposited by way of direct deposit for house accounts of Clearing Member’s affiliated companies ⑥ Those deposited for house accounts of Clearing Member’s authorized affiliates by way of replacement deposit ⑦ Those deposited for Non-Clearing Member’s house account by way of direct deposit ⑧ Those deposited for Non-Clearing Member’s house account by way of replacement deposit (deposited by a Clearing Member on behalf of such Non-Clearing Member) ⑨ Those deposited for the accounts of Non-Clearing Member’s Customer accounts by way of direct deposit ⑩ Those deposited for the accounts of Non-Clearing Member’s Customer by way of replacement deposit (except those set forth in Item ⑪) ⑪ Those deposited for the accounts of Non-Clearing Member’s Customer by way of replacement deposit by the intermediate brokers ⑫ Those deposited by way of direct deposit for house account of Non-Clearing Member’s authorized affiliates 	<ul style="list-style-type: none"> • “Authorized affiliates” means Clearing Member’s affiliated companies which shall be separately designated by the Exchange.

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<p>(4) Separate Placing or Depositing by a Non-Clearing Member</p>	<p>⑬ Those deposited by way of replacement deposit for house account of Non-Clearing Member's authorized affiliates</p> <p>• A Non-Clearing Member shall place or deposit the stated amount of Exchange Margin, Non-Clearing Member Margin and Customer Margin with its Designated Clearing Member in accordance with the classifications set forth in Items ⑦ through ⑬ above.</p>	
<p>5. Intraday additional margin</p>		
<p>(1) Deposit of Intraday additional Margin</p>	<p>• In case where the sum of the amount of an Exchange Margin for its house account positions deposited by a Trading Member falls short of the amount notified by the Exchange as the required amount of Exchange Margin as of 12:00 a.m. of the business day on which the Trading Member receives an intraday additional margin call notice, the Trading Member shall deposit with the Exchange an amount not less than such shortfall as intraday additional margin.</p>	<p>• If an event falling under the criteria set by TFX occurs on any trading day, the Exchange shall promptly notify all the Trading Members of an intraday additional margin call between 11:25 a.m. to 12:00 a.m. of the business day on which the trading day's day session falls.</p> <p>• Intraday additional margins shall be deposited with the Exchange as Exchange Margins.</p>
<p>(2) The required amount of Intraday additional Margin</p>	<p>• The required amount of Intraday additional Margin shall be the sum obtained by: (1) firstly, calculating the Yen amount by SPAN[®] with respect to the Trading member's house account positions as of 12:00 a.m. of the business day on which the intraday additional margin call notice is given to the Trading Member, (2) secondly, adjusting the SPAN[®] Margin Requirement thus obtained with the option value relevant to the said house account positions and (3) finally, adding the absolute value of the sum of the amounts obtained in accordance with Items (a) and (b) below, to the extent that such sum is less than zero (in such case, the absolute value of the amount obtained in accordance with Item below shall be added only when such amount is less than</p>	

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<p>(3) Shortfall as intraday additional margin</p>	<p>zero) :</p> <ul style="list-style-type: none"> • With respect to the financial futures contract executed with respect to the Trading Member's house account position after the commencement of the evening session for the trading day on which the intraday additional margin call notice is given up until 12:00 a.m. of the same trading day, (a) difference between the contract price and Intraday Settlement Price, and (b) total amount of the option premiums receivable by the Trading Member minus the total amount of the option premiums payable by the Trading Member. • In regard to positions with respect to which any of the information set forth in remarks of "3. Exchange Margin for Provisional Account Position" hereof remains not advised to the Exchange as of 12:00 a.m. of the business day on which the Trading Member receives an intraday additional margin call notice, the amount calculated in a manner similar to the above shall be added to the required amount of Intraday additional margin. • Intraday additional margin may be deposited in the form of the eligible securities. • Trading Member shall deposit with the Exchange an amount not less than such shortfall as intraday additional margin in the manner prescribed by 3:30 p.m. 	

- The originals of this outline of rules have been prepared in the Japanese language only and the Japanese language texts 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 the rules, regulations and agreements shall be decided in accordance with the Japanese language texts. Whilst reasonable care has been taken to ensure that these translations are accurate and free from errors, no liability is accepted by TFX in any circumstances.