

**Special Regulations of Business Regulations and Brokerage Agreement
Standards Concerning Government Bond Futures Contract**
(as of September 26, 2011)

Tokyo Stock Exchange, Inc.

General Provisions

Rule 1. Purpose

1. These special regulations shall prescribe special rules for the Business Regulations and the Brokerage Agreement Standards with respect to transactions of government bond futures contracts (hereinafter referred to as "government bond futures transactions"), acceptance of orders for these transactions (excluding brokerage for clearing of securities, etc.), etc.

2. Matters that are not prescribed in these special regulations shall be as specified in the Business Regulations and the Brokerage Agreement Standards.

Rule 1-2. Definitions regarding Government Bond Futures Transactions

1. In these special regulations, the term "government bond futures transactions" means "large transactions" or "mini transactions".

2. In these special regulations, the term "large transactions" means transactions referenced in Article 2, Paragraph 21, Item 1 of the Financial Instruments and Exchange Act (Act No. 25, 1948, hereinafter referred to as the "Act") that pertain to standardized government bonds.

3. In these special regulations, the term "mini transactions" means transactions referenced in Article 2, Paragraph 21, Item 2 of the Act that pertain to prices of standardized government bonds.

Rule 1-3. Definition of Terms

1. The meanings of terms in these special regulations shall be subject to those of the terms pertaining to the method of concluding trading agreements of securities, and shall be as specified in each rule in addition to the provisions of the following items.

(1) The term "trading day" means the period between 3:25 p.m. on a day (excluding holidays) (Note) and 3:10 p.m. of the next day (to be moved forward if the day falls on a holiday; the same shall apply hereinafter).

(Note) It shall remain unchanged, i.e., "between the opening time of the evening session on a day (excluding holidays) prescribed in Rule 4, Paragraph 1, Item 3", until further notice.

- (2) In large transactions, the term "sale" means a contract where the party will deliver a government bond, while the term "purchase" means a contract where the party will receive a government bond.
- (3) In mini transactions, the term "sale" means a contract in which the party will receive money if the actual price (meaning a numerical value of the price of standardized government bonds on a certain date in the future; the same shall apply hereinafter) falls below the contract price (meaning a numerical value that is the price at which the entity executes standardized government bonds in advance; the same shall apply hereinafter). The term "purchase" means a contract in which the party will receive money if the actual price exceeds the contract price.
- (4) With respect to large transactions, the term "price" means an amount of consideration to be paid for a sale or purchase of a standardized government bond. With respect to mini transactions, the term "price" means a numerical value of a price of a standardized government bond.
- (5) The term "price range" means the range of price fluctuation.
- (6) The term "quote" means a declaration of intention concerning the limit of the price that is made in order for a trading participant to become a party to a government bond futures transaction.
- (7) The term "offer" means a quote pertaining to a sale, and the term "bid" means a quote pertaining to a purchase.

2. The definition of terms in these special regulations with respect to the options contract on government bond futures (meaning the contract pertaining to government bond futures transactions, out of the contracts referenced in Article 2, Paragraph 21, Item 3 of the Act; the same shall apply hereinafter) shall be as specified in the Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Options Contract on Government Bond Futures (hereinafter referred to as the "Special Regulations of Government Bond Futures Options").

CHAPTER 2

Special Regulations of Business Regulations

Section 1. Standardized Government Bond, etc. and Contract Month

Rule 2. Conditions for Standardized Government Bonds for Large Transactions

The conditions for standardized government bonds for large transactions shall be as specified in each of the following items for each issue.

- (1) For standardized medium-term government bond: 100-yen face value, 3% interest rate per annum, and 5-year maturity.
- (2) For standardized long-term government bond: 100-yen face value, 6% interest

- rate per annum, and 10-year maturity.
- (3) For standardized super long-term government bond: 100-yen face value, 6% interest rate per annum, and 20-year maturity.

Rule 2-2. Subject of Mini Transactions

Mini transactions shall trade the prices of standardized long-term government bonds.

Rule 3. Contract Months and Number thereof

1. Large and mini transactions of government bond futures contracts shall be classified into a transaction of a contract month for each issue.
2. Transactions in contract months mean transactions referenced in each of the following items
 - (1) For large transactions, transactions in contract months shall be those in which the date of delivery settlement is March 20th (to be moved forward in order if the date falls on a holiday; the same shall apply hereinafter in this paragraph), June 20th, September 20th, and December 20th.
 - (2) For mini transactions, transactions in contract months shall be those whose last trading day is the trading day that ends on a day (to be moved back in order if the day falls on a holiday; the same shall apply hereinafter) immediately prior to the day on which the last trading day of large transactions in March, June, September, and December ends.
3. In both large and mini transactions, there shall always be three contract months, and the trading period of each contract month shall be nine (9) months.
4. For large transactions, the last trading day of a contract month that has the earliest day of delivery settlement shall be the trading day that ends seven days (excluding holidays) before such day of delivery settlement, and trading in a new contract month shall begin at 8:20 a.m. on the day following the day on which said last trading day ends.
5. For mini transactions, trading in a new contract month shall begin at 8:20 a.m. on a day two days after the day on which the last trading day ends for trading in the contract month that has the earliest last trading day.
6. Notwithstanding the provisions of Paragraphs 2 to 5, in cases when the Exchange deems it necessary, the Exchange may change the number and the trading period of contract months as well as the last trading day and the initial trading day.

Rule 3-2. Inter-month Spread Trading

1. A trading participant (meaning a General Trading Participant defined in Rule 2,

Paragraph 2, or a Government Bond Futures, etc. Trading Participant defined in Paragraph 3 of the same rule of the Trading Participant Regulations; the same shall apply hereinafter) may conduct an inter-month spread transaction, when such participant is going to sell one of the two contract months and simultaneously buy the other contract month with the amount of purchase and sale being equal (limited to the purchase and sale for the account of the same customer or for the trading participant's own account) on large transactions and mini transactions pertaining to the standardized medium-term government bond and the standardized long-term government bond. The inter-month spread transaction means a transaction in which a bid or offer is made at a price obtained by deducting the price of one of the two contract months whose last trading day comes later than the other (hereinafter referred to as "farther contract month") from the price of the other contract month whose last trading day comes earlier (hereinafter referred to as "nearer contract month") (the price so obtained shall hereinafter be referred to as "spread price"), and through such transaction a short position in one contract month and a long position in the other contract month are effected simultaneously, with the sizes of both short and long positions being the same as the size of such transaction (The same shall apply hereinafter).

2. An inter-month spread transaction may be effected between contract months as prescribed in each of the following items, unless otherwise prescribed by the Exchange:

- (1) between a contract month whose last trading day comes earliest (hereinafter referred to as "nearest contract month") and a contract month whose last trading day comes next (hereinafter referred to as "second nearest contract month");
- (2) between a nearest month and a contract month whose last trading day comes after the second nearest contract month (hereinafter referred to as "farthest contract month"); and
- (3) between the second nearest contract month and the farthest contract month.

3. In the inter-month spread trading, the term "spread offer" means an offer at a spread price pertaining to a sale of the nearer contract month and a purchase of the farther contract month, and the term "spread bid" means a bid at a spread price pertaining to a purchase of the nearer contract month and a sale of the farther contract month.

Section 2. Trading Sessions and Methods of Contract Formation under Principles of Auction, etc.

Rule 4. Division of Trading Sessions and Trading Hours, etc.

1. The trading session of government bond futures contracts shall be divided into a

morning trading session, an afternoon trading session, and an evening trading session, and the trading hours of each session shall be defined in each of the following items.

- (1) The morning trading session shall be from 9:00 a.m. to 11:00 a.m.
- (2) The afternoon trading session shall be from 12:30 p.m. to 3:00 p.m.
- (3) The evening trading session shall be from 3:30 p.m. to 6:00 p.m.

2. The Exchange may change the trading hours defined in the preceding items on a temporary basis, when deemed necessary. In such case, the Exchange shall notify the trading participants to that effect in advance.

3. Neither trading sessions nor any other operations of government bond futures contracts shall be conducted on a holiday.

Rule 4-2. Temporary Halt and Operation of Trading Sessions

The Exchange may halt or carry out the whole or any part of the trading session of government bond futures contracts on a temporary basis, when deemed necessary.

Rule 4-3. Notification of Temporary Halt and Operation of Trading Sessions

When the Exchange determines the temporary halt or temporary operation of the trading session of government bond futures contracts, it shall notify the trading participants to that effect in advance.

Rule 4-4. Trading via Trading System

Government bond futures transactions shall be effected via the trading system.

Rule 5. Priority of Orders during Auction Trading

1. Government bond futures transactions shall be effected by auction trading.
2. The priority of orders during auction trading of government bond futures contracts shall be determined as specified in each of the following items.
 - (1) A lower offer price shall have priority over other higher offer prices, and a higher bid price shall have priority over other lower bid prices.
 - (2) Where two or more orders are made at the same price:
 - a. An order placed earlier shall have priority over other orders placed later;
 - b. In the case where orders are made simultaneously, or there is difficulty in determining the time priority of orders being placed, such priority shall be determined by the Exchange.
 - (3) A market order shall have priority over other bids and offers in terms of price, and the price priority between market orders shall be the same.
3. All bids and offers made prior to determination of an opening contract price as well as those made prior to determination of an initial contract price after the

resumption of the trading regarding a particular contract month that has been halted as prescribed by the Exchange shall be regarded as having been made simultaneously.

4. A market order which reaches the limit of the price range as specified in Rule 7, Paragraph 5 at the time of the closing of the afternoon session shall become a bid or offer with such ceiling price. In such case, bids and offers at this price shall be regarded as having been made simultaneously.

5. In applying the provisions of the above Paragraphs 2 and 3 to the inter-month spread trading, the terms "each of the following items," "price," "offer" and "bid" in Paragraph 2 shall be "Item (1) and Item (2)," "spread price," "spread offer" and "spread bid," respectively; and the terms "contract price" and "trading in a contract month" in Paragraph 3 shall be "contract spread price" and "inter-month spread trading," respectively.

Rule 6. Individual Auction

1. Auction trading prescribed in Paragraph 1 of the preceding rule shall be on an individual auction basis.

2. Government bond futures transactions on an individual auction basis shall be effected by matching each order individually to a contract price with reference to the priority of orders prescribed in Paragraph 2 of the preceding rule. The contract price shall be determined by a certain price at which the lowest offer and the highest bid are matched amongst competing bids and offers, except the cases that specify the contract price enumerated in each of the following items:

- (1) Opening price as a contract price;
- (2) Initial price as a contract price, after the resumption of trading in a particular contract month which has been temporarily halted pursuant to other rules of the Exchange;
- (3) Closing price as a contract price; and
- (4) The price when a special quote is indicated pursuant to the provisions prescribed by the Exchange. In addition, the Exchange shall determine a contract price when deemed necessary in view of the bid-offer situation.

3. The contract price mentioned in each item of the preceding paragraph shall be determined by a certain price at which the total amount of offers and the total amount of bids are matched among competing bids and offers, complying with all the conditions and terms enumerated in the following items. Consequently, trading shall be carried out by matching each order individually to such price with reference to the priority of orders prescribed in Paragraph 2 of the preceding rule. However, in the case of an absence of such price to comply with the above conditions and terms, then the contract price mentioned in each item of the preceding paragraph shall be determined

by a certain price at which the total amount of offers and the total amount of bids are matched among competing bids and offers, complying with all the conditions and terms enumerated in each of the following items (excluding Item (3), Sub-item b). Consequently, trading shall be carried out by matching each order individually to such price with reference to the priority of orders prescribed in Paragraph 2 of the preceding rule.

- (1) All market orders;
- (2) All limit orders to sell at prices lower than the contract price and all limit orders to buy at prices higher than such price; and
- (3) The following amount of orders at such price:
 - a. the entire amount of either sell orders or buy orders; and
 - b. the amount of orders on the other side determined separately by the Exchange

4. In such instances as prescribed in the preceding paragraph, when there are two or more prices at which the total amount of offers and the total amount of bids are matched, and if one of those prices is the same as the latest contract price (except the contract price in inter-month spread trading; the same shall apply to the "latest contract price" mentioned in this paragraph and the next paragraph), such price shall be determined as a contract price; and in the case of an absence of such price, the nearest price to the latest contract price shall be determined as a contract price; provided, however, that if the Exchange deems it inappropriate to use such latest contract price as the basis for determining a contract price, it shall determine the price as a contract price on a case-by-case basis.

5. Notwithstanding the provisions of Paragraph 3, no transaction shall be effected if the price which determines a contract price mentioned in Paragraph 2, Item (3) exceeds the price range determined by the Exchange based on the latest contract price (when a quote is indicated pursuant to the provisions prescribed by the Exchange, such quote).

6. In applying the provisions of the above Paragraphs 2 through 4 to inter-month spread trading, the term "in each of the following items" in Paragraph 2 shall be "in each of the following items (excluding Item (3))"; the terms "contract price (except the contract price prescribed in the parenthesis in Paragraph 4)" and "price" in Paragraphs 2 through 4 shall be "contract spread price" and "spread price", respectively; the terms "offer" and "bid" in Paragraphs 2 through 4 shall be "spread offer" and "spread bid", respectively; the term "Paragraph 2 of the preceding rule" in Paragraphs 2 and 3 shall be "Paragraph 2 of the preceding rule which is interpreted by Paragraph 5 of the same rule", the term "trading in a contract month" in Paragraph 2 shall be "inter-month spread trading"; the term "in each item of the preceding paragraph" in Paragraph 3 shall be "in each item of the preceding paragraph (excluding Item (3))"; and the term "The same...(except the contract price in the inter-month spread trading; the same

shall apply to the "latest contract price" mentioned in this paragraph and next paragraph)" in Paragraph 4 shall be "the same as the latest contract month."

Rule 6-2. Contract Price of Purchase or Sale at the time of Consummation of Inter-month Spread Transaction

1. The contract price of a purchase or sale in each contract month at the time of the consummation of an inter-month spread transaction shall be a price prescribed in each of the following items in accordance with the classification of contract months specified in each of such items.

(1) The nearer contract month

The latest contract price (when a quote is indicated pursuant to the provisions prescribed by the Exchange, such quote) of the nearer contract month in the session of the day on which the inter-month spread transaction has been effected; provided, however, that in the case of an absence of such latest contract price, the price shall be determined by the Exchange.

(2) The farther contract month

A price obtained by deducting the contract spread price of the inter-month spread transaction from the price determined as the contract price of the nearer contract month pursuant to the provisions of the preceding item.

2. In such instance as prescribed in the provisions in the preceding paragraph, if the price, which is computed in accordance with the provisions of Item (2) of the same paragraph, exceeds the limit of the price range of the farther contract month specified in the provisions of Rule 7, Paragraph 5, the contract price shall be a price specified in each of the following items in accordance with the classification of contract months enumerated in each of such items.

(1) The nearer contract month

A price obtained by adding the contract spread price of the inter-month spread transaction to the price determined as the contract price of the farther contract month pursuant to the provisions of the next item.

(2) The farther contract month

A price prescribed in 'a' or 'b' below:

a. If the price computed in accordance with the provisions of Item (2) of the preceding paragraph exceeds the upper limit of the price range of the farther contract month prescribed in the provisions of Rule 7, Paragraph 5, the upper limit of the price fluctuation range shall be adopted; or

b. If the price computed in accordance with the provisions of Item (2) of the preceding paragraph is below the lower limit of the price range of the farther contract month prescribed in the provisions of Rule 7, Paragraph 5, the lower limit of the price range shall be adopted.

Rule 6-3. Cancellation of Transactions

1. In cases where the Exchange considers that conducting smooth settlement of transactions is extremely difficult due to the placement of an erroneous order, and that such difficulty will disrupt the market significantly, the Exchange may cancel such transactions.

2. In cases where the transaction records in the trading system of the Exchange have been lost due to natural disasters or other unavoidable reasons, and if the Exchange considers that the complete recovery of such lost data will be extremely difficult, the Exchange may cancel such transactions on a case-by-case basis.

3. When the Exchange cancels the transactions in accordance with the provisions of the above Paragraphs 1 and 2, such transactions shall be deemed to be nullified.

4. A trading participant shall not claim compensation for any damage or loss, if any, incurred by the cancellation of transactions by the Exchange in accordance with the provisions of the above Paragraph 1 against the trading participant who placed the erroneous order; provided, however, that the same shall not apply if it is deemed that the trading participant placed such an erroneous order intentionally or by gross negligence.

5. A trading participant shall not claim compensation from the Exchange for any damage or loss, if any, incurred by the cancellation of transactions by the Exchange in accordance with the provisions of the above Paragraph 1 or 2; provided, however, that the same shall not apply if it is deemed that such damage or loss was caused by the Exchange intentionally or by gross negligence of the Exchange.

Rule 7. Bids and Offers

1. A trading participant shall make a bid or offer when it is going to effect a government bond futures transaction. In such case, the trading participant must clearly inform the Exchange whether such bid or offer is made for the account of its customer or for its own account.

2. Bids and offers in government bond futures transactions shall be made through the trading participant's terminal by inputting such bids or offers using the trading systems.

3. The minimum variation of bids and offers in government bond futures transactions shall be as specified in each of the following items in accordance with the classification of government bond futures referenced in each of such items.

- (1) Large transactions 1/100 yen per 100 yen face value
- (2) Mini transactions 5/1000

4. Bids and offers in large transactions shall be made by flat quotation.
5. No bids and offers shall be made beyond or below the limit of the price range specified by the Exchange.
6. In applying the provisions of the preceding paragraph to inter-month spread trading, the term "price" shall be "spread price."
7. In cases where the Exchange deems the bids and offers to be necessary to facilitate the consummation of transactions, the Exchange shall publicize them.
8. In addition to those prescribed in these special regulations, matters necessary for bids and offers in government bond futures transactions shall be specified by the Exchange separately.

Rule 8. Trading Unit

1. The trading unit for large transactions shall have a face value of 100 million yen.
2. One trading unit of mini transactions shall be an amount obtained by multiplying 100,000 yen by the numerical value of the price of the standardized long-term government bond.

Rule 9. Public Announcement of Contract Prices, etc.

The Exchange shall, when a government bond futures transaction has been effected, publicly announce the contract price (the contract spread price and the contract price in the case of the inter-month spread trading) pursuant to the provisions specified by the Exchange.

Rule 10. Notification and Confirmation of Transactions

1. The Exchange shall, when a government bond futures transaction has been effected, immediately notify the details of the transaction through the trading systems to the trading participant who has placed a bid or offer.
2. A trading participant shall, when it has received a transaction report with respect to government bond futures contracts through the trading participant's terminal using the trading systems, immediately confirm the details of such transaction.

Rule 11. Temporary Trading Suspension

1. In the event that a large transaction in any contract month falls under either of the following items, the Exchange shall temporarily suspend said large transaction during a period in which a time determined by the Exchange elapses

from the time when the large transaction has fallen under such item; provided, however, that the Exchange does not implement a temporary suspension where the Exchange specifies it.

- (1) When the latest contract price (excluding the contract price in the inter-month spread trading, and including the special quote price when the special quote is indicated pursuant to the provisions prescribed by the Exchange; the same shall apply hereinafter in this rule) falls below the price that the Exchange stated as a standard price exceeding the price limit, a temporary trading suspension shall be exercised.
- (2) When the latest contract price rises above the price that the Exchange stated as a standard price exceeding the price limit, a temporary trading suspension shall be exercised.

2. In the event that the Exchange has temporarily suspended large transactions for standardized long-term government bonds pursuant to the preceding paragraph, the Exchange shall temporarily suspend mini transactions during the period where said large transactions are temporarily suspended.

Rule 12. Trading Halt

The Exchange may halt trading in government bond futures contracts in the cases prescribed in each of the following items, in accordance with the provisions prescribed by the Exchange.

- (1) When the Exchange deems there is, or is likely to be, abnormality in the trading situation of government bond futures contracts, or deems that it is inappropriate to continue the trading operation for the administrative reasons;
- (2) When the Exchange deems that it is difficult to continue trading operations through its trading systems due to the problems in system operation.

Section 3 Government Bond Futures Transactions Effected by Strategy Trading

Rule 13 Execution of government bond futures transactions by strategy trading

1. A government bond futures transaction which is subject to strategy trading (meaning transactions referenced in Rule 7-2, Paragraph 1, Item 2 of the Special Regulations of Government Bond Futures Options; the same shall apply hereinafter) shall be concluded, as specified by the Exchange, between the parties to said strategy trading through a trading method other than auction trading sessions when the following conditions are satisfied.

- (i) A strategy offer (meaning the strategy offer prescribed in Rule 7-2, Paragraph 5 of the Special Regulations of Government Bond Futures Options) matches a strategy bid (meaning the strategy bid prescribed in Rule 7-2, Paragraph 5 of the same special regulations) or vice versa.

- (ii) The conditions prescribed in Rule 7-2, Paragraph 4 of the same special regulations are satisfied.

2. Matters necessary for government bond futures transactions which are subject to strategy trading, other than the matters specified in the preceding paragraph, shall be specified by the Exchange.

Section 3-2. Execution of Government Bond Futures Transactions through Position Transfers

Rule 14. Position Transfer

1. In these special regulations, an affiliate foreign exchange means an entity which operates a foreign financial instruments market (meaning a market which is similar to a financial instruments exchange market and located in a foreign country) specified by the Exchange and which has concluded an arrangement pertaining to position transfers (meaning position transfers prescribed in Rule 14-3, Paragraph 2; the same shall apply in Paragraph 6) with the Exchange.
2. In these special regulations, an affiliate foreign clearing institution means an entity which conducts the same type of business as financial instruments obligation assumption related to affiliate foreign market derivatives transactions which are effected on an affiliate foreign exchange.
3. In these special regulations, an affiliate foreign exchange, etc. means an affiliate foreign exchange or affiliate foreign clearing institution.
4. In these special regulations, an affiliate foreign market derivatives transaction means a transaction specified by the Exchange which is a foreign market derivatives transaction effected on an affiliate foreign exchange.
5. In these special regulations, a foreign clearing participant means a clearing participant of an affiliate foreign exchange, etc.
6. In these special regulations, a member-link agreement is an agreement concluded between a trading participant and a foreign clearing participant, in a form specified by the Exchange, in order to execute position transfers.

Rule 14-2. Notification of Conclusion of Member-link Agreement, etc.

1. When a trading participant plans to conclude a member-link agreement with a foreign clearing participant, such trading participant must notify the Exchange in advance as prescribed by the Exchange.
2. When a trading participant terminates or modifies a member-link agreement, such trading participant must notify the Exchange of such details by the fifth business day prior to the date on which such termination or modification occurs.

Rule 14-3. Execution of Position Transfer

1. In cases where the details of an unsettled contract related to affiliate foreign market derivatives transaction (hereinafter referred to a "foreign position") are transmitted to the Exchange from an affiliate foreign exchange, etc., the Exchange shall confirm matters specified by itself regarding the contents of such details.
2. When the Exchange confirms and approves the contents of such details prescribed in the preceding paragraph, the position transfer shall be executed (meaning execution of a government bond futures transaction specified by the Exchange through a trading method other than auction trading sessions under the name of a trading participant who concludes a member-link agreement with a foreign clearing participant as described in such details; the same shall apply hereinafter).
3. The contract price of the government bond futures transaction executed by position transfer shall be a price specified by the Exchange.
4. When the Exchange confirms and approves the contents of such details prescribed in Paragraph 2, it shall notify the affiliate foreign exchange, etc. to that effect.
5. In the cases enumerated in each of the following items, the Exchange may choose not to give approval prescribed in Paragraph 2. In such cases, no position transfers shall be executed on such trading day:
 - (1) Cases where the Exchange cannot confirm the matters specified by the Exchange regarding the contents of such details prescribed in Paragraph 1 by the time specified by the Exchange on each trading day;
 - (2) Cases where the details prescribed in Paragraph 1 contains a trading participant which is being suspended from securities trading, etc. (excluding those through brokerage of clearing securities, etc.) or the entrustment of brokerage of clearing securities, etc. in the market of the Exchange relating to government bond futures, etc. trading qualification; and

- (3) Other cases where the Exchange deems the execution of position transfers inappropriate.

Rule 14-4. Notification of Details of Government Bond Futures Transactions Effected by Position Transfer, etc.

1. Notwithstanding the provisions of Rule 10, when a position transfer is executed based on the provisions of Paragraph 2 of the preceding rule, the Exchange shall notify the trading participant of the details of government bond futures transactions effected by such position transfer, and when a position transfer is not executed based on the provisions of Paragraph 5 of the same rule, the Exchange shall notify the trading participant to that effect.
2. When the trading participant receives notification of the details of the government bond futures transaction effected by a position transfer, it shall confirm such details immediately.

Rule 14-5. Declaration of Proprietary or Entrusted

1. When a position transfer is executed, the trading participant shall declare to the Exchange, by the deadline specified by the Exchange, whether the government bond futures transaction effected by such position transfer was based on a customer's entrustment or for such trading participant's proprietary account.
2. The Exchange shall deem that government bond futures transactions for which the declaration prescribed in the preceding paragraph was not made are based on a customer's entrustment.

Rule 15. Deleted.

Section 3-3. Transactions for Error Correction, etc.

Rule 16. Transactions for Error Correction, etc.

1. When a trading participant has, due to an error or other circumstances caused by a truly unavoidable reason, failed to execute its customer's order under his/her instruction in the Exchange market, the trading participant may, in accordance with the provisions prescribed by the Exchange and with prior approval from the Exchange, effect a principal sale or purchase pertaining to the said approval as a counterparty

outside auction trading at a price deemed appropriate by the Exchange.

2. Settlement pertaining to the sale or purchase in the preceding paragraph shall be effected on a day that would have been a settlement day if the customer's order to sell or buy had been executed under the customer's instruction.

3. In applying the provisions prescribed in the preceding two paragraphs to inter-month spread trading, "sale" and "purchase" in the preceding two paragraphs shall be "a sale of the nearer contract month and a purchase of the farther contract month" and "a purchase of the nearer contract month and a sale of the farther contract month" respectively, and "price" in Paragraph 1 shall be "a spread price".

Section 4. Government Bond Futures Transactions Resulting from Exercise of Rights

Rule 17. Government Bond Futures Transactions Resulting from Exercise of Rights

When a trading participant has given notice of an exercise of an option on a government bond futures transaction, it shall be considered that the intention of such exercise has been expressed at such time on the day of the notice as fixed by the Exchange, and a government bond futures transaction shall be effected at such time.

Section 5. Settlement by Physical Delivery/Payment for Large Transactions

Rule 18. Settlement by Delivery

With respect to larger transactions in each contract month, the final short position (i.e., the short position (meaning the amount pertaining to a sale contract for which the settlement for each contract month has not been completed (hereinafter referred to as "unsettled contract")); the same shall apply hereinafter) for which no repurchase transaction (meaning a transaction that offsets a short position; the same shall apply hereinafter) was effected by the last trading day; the same shall apply hereinafter) or the final long position (i.e., the long position (meaning the amount pertaining to an unsettled purchase contract; the same shall apply hereinafter) for which no resale transaction (meaning a transaction that offsets a long position; the same shall apply hereinafter) was effected by the last trading day; the same shall apply hereinafter) shall be settled by delivery (meaning settlement effected by payment/receipt of the amount of the consideration for settlement by physical delivery/payment for government bonds; the same shall apply hereinafter) on the date of settlement by delivery for the contract month.

Rule 19. Deliverable Bonds

For settlement by physical delivery/payment between a customer and a trading participant, such government bonds enumerated in each of the following items (hereinafter referred to as "deliverable bonds") shall be treated as the deliverable grade.

- (1) For standardized mid-term government bonds, coupon-bearing government bonds (limited to those that have been issued as government bonds and as a part or the whole of their total issue amount through the syndicate underwriting for public offering, the public offering auction or other methods permitting acquisition by many and unspecified persons; the same shall apply hereinafter) with a remaining period to maturity of 4 years or more but less than 5 years and 3 months both on the issue date (meaning the issue date of coupon-bearing government bonds with the same title and of the same issue number, and in addition, in case that there have been coupon-bearing government bonds issued previously, the issue date of such coupon-bearing government bonds with such same title and of such same issue number that have the earliest issue date; the same shall apply hereinafter) and on the day of settlement by physical delivery/payment, and also whose issue date falls in a month that is three or more months preceding the month in which the date of settlement by delivery falls.
- (2) For standardized long-term government bonds, coupon-bearing government bonds with a remaining period to maturity of 7 years or more but less than 11 years both on the issue date and the day of settlement by delivery, and also whose issue date falls in a month that is three or more months preceding the month in which the date of settlement by physical delivery/payment falls.
- (3) For standardized super long-term government bonds, coupon-bearing government bonds with a remaining period to maturity of 15 years or more but less than 21 years both on the issue date and the day of settlement by delivery, and also whose issue date falls in a month that is three or more months preceding the month in which the date of settlement by physical delivery/payment falls.

Rule 20. Computation of Conversion Factors between Standardized Government Bonds and Deliverable Bonds

The conversion factors between standardized government bonds and deliverable bonds shall be computed in accordance with the attached "Table for Computation of Conversion Factors between Standardized Government Bonds and Deliverable Bonds".

Rule 21. Price for Settlement by Physical Delivery/Payment

The price used as a basis for computation of the amount of the consideration to be paid/received for settlement by physical delivery/payment (hereinafter referred to as "delivery settlement price") shall be the settlement price (meaning a price determined by the Japan Securities Clearing Corporation (hereinafter referred to as the "Clearing Corporation") as the settlement price of a government bond futures transaction) on the last trading day for the contract month.

Rule 22. Method of Computation of the Amount of Consideration for Settlement by Physical Delivery/Payment

The amount of the consideration to be paid/received for settlement by physical

delivery/payment shall be the amount obtained by multiplying the product of the delivery settlement price and the conversion factor calculated for each deliverable bond by one hundredth (1/100) of the total amount of the face value of such deliverable bond.

Rule 23. Pro-rated Calculation of Interest

1. For the purpose of settlement by physical delivery/payment, an amount obtained by computing the product of the total amount of the face value of government bonds for each deliverable bond pertaining to the final short position and the coupon rate of such deliverable bond on a pro-rated daily basis in accordance with the period up to the date of settlement by physical delivery/payment (hereinafter referred to as "accrued interest") shall be added to the amount of the consideration for settlement by physical delivery/payment computed pursuant to the provisions of the preceding rule. However, if the date of settlement by physical delivery/payment falls on a coupon payment date of the deliverable bond, such accrued interest shall not be added to the amount of the consideration for settlement by physical delivery/payment.

2. The accrued interest prescribed in the preceding paragraph shall be subject to either taxable treatment or non-taxable treatment. With respect to the accrued interest subject to taxable treatment, an amount determined by the Exchange as equivalent to the amount of applicable tax shall be deducted in the calculation of the accrued interest.

Section 6 Final Settlement, etc. for Mini Transactions

Rule 24. Final Settlement

With respect to mini transactions in each contract month, if there are positions for which resales or repurchases have not been made by the last trading day, the settlement based on the final settlement price prescribed in the following rule (hereinafter referred to as the "final settlement") shall be conducted on the day following the day on which the final settlement price is determined pursuant to the following rule (hereinafter referred to as the "final settlement date").

Rule 25. Final Settlement Price

The final settlement price shall be determined on a day after the day on which the last trading day of mini transactions in the relevant contract month and the first contract price in the trading session pertaining to large transactions in a contract month (see Note below) for the standardized long-term government bond whose last trading day belongs to the same month as said relevant contract month; provided, however, that, where the trading session pertaining to said large transactions in a contract month is halted and the Exchange deems necessary, the final settlement price shall be determined by the Exchange on a day determined by the Exchange on a case-by-case basis.

(Note) If there is no contract price on the day following the last trading day of said large transactions in a contract month, the price specified by the Exchange.

Section 7. Give-up

Rule 26. Give-up

1. A trading participant may conduct give-up with respect to government bond futures transactions (including transactions for the correction of errors, but excluding transactions resulting from the exercise of rights in options contracts on government bond futures and new government futures contracts resulting from the give-up; the same shall apply hereinafter in this section) in accordance with the provisions of this section.

2. "Give-up" means that a trading participant effects a sale or purchase transaction in government bond futures contracts that is to be terminated, and at the same time, a new sale or purchase transaction is created under the conditions identical to those of the give-up transaction and taken up by another trading participant under its name; provided, however, that if another trading participant is a "non-clearing participant" (meaning a non-clearing participant prescribed in the provisions of Rule 24-2, Paragraph 5 of the Trading Participant Regulations; the same shall apply hereinafter), such give-up transaction will be taken up by a "designated clearing participant" (meaning a designated clearing participant selected and designated by a non-clearing participant for its own account in accordance with the provisions of Rule 24-4, Paragraph 1 of the Trading Participant Regulations; the same shall apply hereinafter).

3. An "executing trading participant" means a trading participant who effects a sale or purchase transaction in government bond futures contracts that is to be terminated as a result of the give-up.

4. A "clearing trading participant" means another trading participant or a designated clearing participant designated by such other trading participant for its own account who takes up the newly created sale or purchase transaction in government bond futures contracts as a result of the give-up.

5. In addition to those prescribed in these special regulations, matters necessary for the give-up shall be prescribed by the Exchange separately.

Rule 27. Give-up Notification

1. When an executing trading participant intends to give up its sale or purchase transaction in government bond futures contracts, it shall notify the Exchange of its intention to give-up, as well as the details of the transaction to be given up, the name

of the clearing trading participant involved in such give-up, and other information prescribed by the Exchange, by the deadline which the Exchange specifies.

2. Upon receipt of the give-up notification from the executing trading participant in accordance with the provisions of the preceding paragraph, the Exchange shall immediately notify the relevant clearing trading participant to that effect.

Rule 28. Take-up Notification

1. When a clearing trading participant receives the give-up notification from the Exchange in accordance with the provisions of Paragraph 2 of the preceding rule, it shall notify the Exchange of matters relevant to the give-up enumerated in each of the following items by the deadline which the Exchange specifies.

- (1) Notification of acceptance, if the clearing trading participant accepts the give-up.
- (2) Notification of rejection, if the clearing trading participant does not accept the give-up.

2. If the Exchange does not receive any notification from the clearing trading participant in accordance with the provisions of the preceding paragraph by the deadline prescribed in the same paragraph, it shall be deemed that the Exchange has received the notification prescribed in the preceding Item (2).

3. When the Exchange receives the notification in accordance with the provisions of the preceding Paragraph 1 (including the notification prescribed in Item (2) of the preceding Paragraph 1 in accordance with the provisions of the preceding Paragraph 2), the Exchange shall immediately notify the executing trading participant relevant to the give-up to that effect.

Rule 29. Completion of Give-up

The give-up shall be completed at the time when the Exchange receives the notification enumerated in Item (1) of the preceding Paragraph 1.

Sections 8 and 9 Deleted.

Rules 30 through 39 Deleted.

Section 10. Miscellaneous Provisions

Rule 40. Reporting of Details of Positions

In the event that the difference between the amount of its short positions and the amount of its long positions in the nearest contract month for large transactions (including a transaction for correcting errors, etc.) for its own account or the difference between the amount of its short positions and the amount of its long positions in the nearest contract

month for the account of its customer has, on a trading day determined by the Exchange, become equal to or greater than such amount subject to reporting as specified by the Exchange for each issue, a trading participant shall report the details thereof to the Exchange in accordance with the provisions prescribed by the Exchange.

Rule 41. Deleted.

Rule 42. Submitting Reports Concerning Government Bond Futures Transactions to Customers

1. A trading participant shall send to its customer, who has an unsettled government bond futures contract (including a transaction for correcting errors, etc.) on his/her account, a report concerning such government bond futures contract every month; provided, however, that the same shall not apply in such case where a customer is a financial instruments firm which is a member of the Japan Securities Dealers Association.

2. The report prescribed in the provisions of the preceding paragraph shall state the issue, the contract month, sale or purchase designation, the face value of the transaction (in the case of mini transactions, the number of traded contracts), the contract price, the execution date (the day on which contract was executed), and the last trading day (the day on which the contract month ends).

3. A trading participant may, instead of sending a report pursuant to the provisions of the preceding Paragraph 1, provide its customer with the matters that must be included in the report through electromagnetic means. This "electromagnetic means" means the use of electronic information processing facilities or any other communications technology prescribed in Article 56 of the Cabinet Office Ordinance on the Financial Instruments Business (Cabinet Office Ordinance No. 52 of 2007), excluding Paragraph 1, Item 1 (d), Paragraph 2, Item 3 (b) and Item 4; in addition, the term "the transaction described has been executed at the last stage" prescribed in Paragraph 2, Item 3, shall be "the transaction described has been recorded." (the same shall apply hereinafter in this paragraph and the next paragraph). Note, however, that it is required to explain the use of such electromagnetic means, including its type and details, to the customer in advance and obtain the customer's approval in writing or through the electromagnetic means. In such cases, it shall be considered that the trading participant has sent the report.

4. The trading participant who obtained approval in accordance with the provisions of the preceding paragraph shall not provide the customer with the matters that must be included in the report through electromagnetic means, if the customer has informed such trading participant, in writing or through the electromagnetic means, that it will not accept such information by electromagnetic means; provided, however, that the

same shall not apply if the customer gives another approval in accordance with the provisions of the preceding paragraph.

Rule 43. Regulatory Measures Concerning Government Bond Futures Transactions in the Exchange Market or Acceptance of Customer's Orders Therefor

In the event that the Exchange deems that the state of government bond futures transactions in the Exchange market is, or is likely to be, abnormal, the Exchange may take necessary regulatory action(s) prescribed by the Exchange in its order rules, with respect to the government bond futures transactions in the Exchange market or acceptance of customers' orders therefor.

Rule 43-2. Method of Government Bond Futures Transactions in the Exchange Market, etc.

1. A trading participant shall effect government bond futures transactions in the Exchange market by using the trading participant's terminals, etc. as deemed appropriate by the Exchange.

2. Trading participants must comply with the interface specifications and other matters specified by the Exchange with regard to the connections between trading participant terminals and the trading systems.

3. A trading participant shall report matters with respect to its terminals to the Exchange in accordance with the provisions prescribed by the Exchange as well as cooperate with the Exchange to ensure and maintain the stability of the electronic trading system.

4. A trading participant shall, from among its executives in charge of, or employees responsible for its trading operations in government bond futures contracts, etc. in the Exchange market, appoint a responsible person who supervises such trading operations and handles other matters relevant thereto, and file with the Exchange to that effect in advance of his/her assuming the position; provided, however, that if the Exchange determines that an additional responsible person is required to handle the specific part of the trading operations in government bond futures contract, etc., a trading participant shall appoint a responsible person who carries such specific part of operations on behalf of the person responsible for the trading operations in government bond futures contracts, etc., and file with the Exchange to that effect in advance of his/her assuming the position.

Rule 44. Deleted.

Rule 44-2. Emergency Measures in case of Trouble in Operation of Trading Systems

1. In the event where problems in trading system operation occur, and if the

Exchange deems it necessary, the government bond futures transactions may be effected temporarily by other means than the trading systems.

2. A trading participant who finds it difficult to make bids and offers due to problems in trading system operation or other unavoidable circumstances (hereinafter referred to as "trading participant with system glitches") may make bids and offers through other trading participant(s) (hereinafter referred to as "acting trading participant(s)") with prior approval of such other trading participant(s) and the Exchange. In such cases, when a government bond futures transaction has been effected at such bid or offer, such trading participant with system glitches and such acting trading participant(s) shall notify the Exchange of the details of this transaction as specified by the Exchange.

3. Matters necessary for the government bond futures transactions pursuant to the provisions of the preceding Paragraphs 1 and 2 shall be determined by the Exchange on a case-by-case basis.

Rule 45. Rewording of Business Regulations

In applying the provisions of Rules 74 through 76, and 77-2 of the Business Regulations pertaining to government bond futures transactions, the term "... of the daily aggregate trading volume, etc. in the market of the Exchange" in Rules 74 and 75 of the Business Regulations shall be "... of the aggregate trading volume, etc. on every Trading Day in the market of the Exchange"; and the term "trading participant" in Rules 76 and 77-2 shall be "trading participant meaning a General Trading Participant prescribed in Rule 2, Paragraph 2 of the Trading Participant Regulations or a Government Bond Futures Trading Participant prescribed in Paragraph 3 of the same rule."

CHAPTER 3

Special Regulations of Brokerage Agreement Standards

Section 1. Order Acceptance for Government Bond Futures Transaction

Rule 46. Submission of Agreement for Establishment of Futures/Options Trading Account

1. A customer who wishes to entrust a government bond futures transaction to a trading participant shall establish a Futures/Options Trading Account with such trading participant.

2. Notwithstanding the provisions of the preceding paragraph, in the case of a government bond futures transaction pertaining to the give-up, a customer who wishes to entrust such transaction to an executing trading participant shall establish a

Futures/Options Trading Account with the executing trading participant, and a customer who wishes to entrust such transaction to a clearing trading participant shall establish such account with the clearing trading participant, respectively.

3. A customer who wishes to establish a Futures/Options Trading Account shall file an application therefor with a trading participant and obtain its approval.

4. A customer who has obtained an approval of the trading participant with respect to the application mentioned in the preceding paragraph shall fill in the prescribed items of the Agreement for Establishment of Futures/Options Trading Account on the predetermined form designated by the Exchange, put his/her signature thereon or sign and seal it, and submit it to the trading participant.

5. A customer may, instead of submitting the agreement form prescribed in the preceding paragraph, notify the trading participant of the acceptance of the agreement through electromagnetic means, if the trading participant explains to the customer the type and details of such electromagnetic means (meaning the use of electronic information processing facilities or any other communications technologies as prescribed in Article 57-3 of the Cabinet Office Ordinance on Financial Instruments Business, etc.; the same shall apply hereinafter) and the customer accepts the use of such electromagnetic means and gives its approval to the trading participant in writing or through electromagnetic means. In such cases, it shall be considered that the customer has submitted the agreement to the trading participant.

6. A trading participant who obtained the customer's approval in writing or through the electromagnetic means as prescribed in the preceding paragraph may not accept the notification of the acceptance of the agreement prescribed in the preceding paragraph through electromagnetic means, if the customer has notified in writing or through electromagnetic means that it will not use electromagnetic means; provided, however, that the same shall not apply in the case where the customer gives another approval with respect to the use of electromagnetic means.

Rule 46-2. Conclusion of Give-up Agreement

1. In the event that a customer wishes to entrust a government bond futures transaction pertaining to the give-up, the customer shall conclude the give-up agreement with the executing trading participant and the clearing trading participant.

2. The matters prescribed in the following items shall be agreed to in the give-up agreement prescribed in the preceding paragraph.

- (1) Fees for the give-up transaction, the payee, and the method of payment; and
- (2) Handling of cases when the give-up fails to be conducted.

3. Notwithstanding the provisions of the preceding Paragraph 1, when a customer wishes to entrust a government bond futures transaction pertaining to the give-up, and if the customer is an applicant's agency firm (meaning that the customer who entrusts the give-up transaction to the executing trading participant is an agency firm such as a financial instrument firm or a foreign securities company, and the entrustment of the give-up transaction was made through the agency firm by the applicant; the same shall apply in the following paragraph), the give-up agreement shall be concluded among the customer, the applicant who applies for the entrustment to the agency firm, and the clearing trading participant involved in the give-up in accordance with the agreement prescribed in the preceding Paragraphs 1 and 2.

4. Notwithstanding the preceding Paragraphs 1 and 3, when a customer of the executing trading participant wishes to entrust a government bond futures transaction pertaining to the give-up, and if a customer of the clearing trading participant is a clearing agency firm (meaning that the customer who entrusts the clearing of the government bond futures transaction to the clearing trading participant is an agency firm such as a financial instrument firm or a foreign securities company, and the entrustment of clearing the give-up transaction was made through the agency firm by the applicant; the same shall apply hereinafter), the give-up agreement shall be concluded among the customer of the clearing trading participant, the executing trading participant (or the applicant, if the applicant applies for entrustment of the give-up transaction to an agency firm, that is, the customer of the executing trading participant), and the customer of the executing trading participant in accordance with the agreement prescribed in the preceding Paragraphs 1 and 2.

5. Upon conclusion of the give-up agreement in accordance with the provisions of Paragraph 1, 3 or 4, the executing trading participant or the clearing trading participant shall be entitled to the entrustment of the government bond futures transaction pertaining to the give-up.

Rule 46-3. Notification Matters by Customers

In the event that a customer entrusts a government bond futures transaction, the customer shall make prior notification concerning matters prescribed in each of the following items to its trading participant:

- (1) Personal or business name;
- (2) Address or office location;
- (3) Name of the place designated to receive communications, if such place has been designated; and
- (4) In the case that an agent has been appointed, the personal or business name and the address or office location thereof and powers assigned thereto.

Rule 47. Instructions at the time of Entrustment, etc.

1. Every time a customer entrusts a government bond futures transaction, the customer shall give the instructions or notice enumerated in each of the following items to its trading participant (excluding Items 3, 4, 7, and 8 in the case of strategy trading):

- (1) Name of the issue and contract month;
- (2) Whether it is a new sale or purchase, or a resale or repurchase;
- (3) In the case of an inter-month spread transaction, notice to that effect;
- (4) Contract amount;
- (5) Limit of price (or the limit of spread price in case of an inter-month spread transaction);
- (6) Delta value in the case that the customer intends to effect the transaction by strategy trading
- (7) Trading session; and
- (8) Validity period of the entrusted order.

2. Notwithstanding the provisions of the preceding Paragraph 1, a customer may not need to give the instruction prescribed in Item (2) of the same paragraph, if its trading participant has agreed to effect transactions in accordance with the procedures instructed by the customer in advance. In such cases, the trading participant shall effect transactions in accordance with the procedures instructed by the customer pertaining to the relevant matters.

3. Notwithstanding the provisions prescribed in the preceding Paragraph 1, a customer may, with the prior consent of its trading participant, give the instruction prescribed in Item (2) of the same paragraph by the deadline which its trading participant specifies at not later than 4:30 p.m. of the date on which the trading day when the contract was executed ends. In such cases, if the customer fails to give any instruction pertaining to the relevant matters by the time designated by its trading participant, it shall be deemed that the customer has given an instruction for a new sale or purchase.

Rule 47-2. Instructions at the time of Entrustment Relevant to Give-up, etc.

1. Notwithstanding the provisions of the preceding rule, every time a customer entrusts a government bond futures transaction pertaining to the give-up, the customer shall give the instructions prescribed in each of the following items in addition to the instructions enumerated in each item (excluding Item 2) of Paragraph 1 of the same rule to its executing trading participant:

- (1) Fact that the government bond futures transaction pertains to the give-up;
- (2) Name of the clearing trading participant involved in the give-up; and
- (3) Matters required for the clearing trading participant to confirm which customer will take up a sale or purchase as a result of the completion of the give-up.

2. Notwithstanding the provisions prescribed in the preceding paragraph, a customer may, with the prior consent of its executing trading participant, give the instruction prescribed in each item of the same paragraph by the deadline which its executing trading participant specifies at not later than 4:00 p.m. of the date on which the trading day when the contract pertaining to the give-up was executed ends.

Rule 47-3. Validity of Entrusted Orders at Resumption of Suspended Trading

An entrusted order shall remain valid during the validity period instructed by the customer in accordance with the provisions prescribed in the preceding Rules 47 and 47-2, even when the Exchange has halted trading in government bond futures contracts; provided, however, that the same shall not apply when the customer has given an instruction that such order should lose validity in the case of a trading halt.

Rule 47-4. Validity of Entrustment at the Completion of Give-up

In the event that a sale or purchase transaction in government bond futures contracts pertaining to give-up has ceased to exist due to the completion of the give-up, the entrustment agreement between the customer and the executing trading participant pertaining to such transaction shall be terminated. At the same time, a new entrustment agreement for the settlement shall come into force between the customer and the clearing trading participant pertaining to a new sale or purchase transaction in government bond futures contracts as a result of the completion of the give-up.

Rule 47-5. Instructions on a Resale or Repurchase at the Completion of Give-up

1. Notwithstanding the provisions prescribed in preceding Rule 47, in the event that the give-up of the sale or purchase transaction in government bond futures contracts has been conducted, the relevant customer may give an instruction prescribed in Paragraph 1, Item (2) of the same rule pertaining to a new sale or purchase transaction as a result of the completion of the give-up to the relevant clearing trading participant. This instruction should be given by the deadline which the clearing trading participant specifies at not later than 4:30 p.m. of the date on which the trading day when the contract pertaining to the give-up was executed ends. In such cases, if the customer fails to give any instruction pertaining to the relevant matters by the designated time, it shall be deemed that the customer has given an instruction for a new sale or purchase.

2. The provisions of Rule 47, Paragraph 2 of Rule 47 shall apply mutatis mutandis to the instructions prescribed in Paragraph 1, Item (2) of the same rule pertaining to the new government bond futures transaction as a result of the completion of the give-up.

Rule 47-6. Instructions at the time of Government Bond Futures Transactions Resulting from Exercise

1. A customer who has entrusted with a trading participant an exercise of an option on government bond futures contracts or a customer to whom an exercise thereof has been assigned shall at each occasion give the trading participant instructions prescribed in Rule 47, Paragraph 1, Items (2) with respect to a government bond futures transaction in each contract month resulting from the exercise.
2. The provisions of Rule 47, Paragraph 2 shall apply mutatis mutandis to the instructions prescribed in Paragraph 1, Item (2) of the same rule pertaining to the government bond futures transaction resulting from exercise.
3. Notwithstanding the provisions prescribed in Paragraph 1, a customer may, with the prior consent of its trading participant, give the instruction enumerated in Rule 47, Paragraph 1, Item (2) pertaining to the government bond futures transaction resulting from exercise of rights by the deadline which its trading participant specifies at not later than 8:20 a.m. of the date immediately after the trading day when the contract was executed ends. In such cases, if the customer fails to give any instruction pertaining to the relevant matters by the designated time, it shall be deemed that the customer has given an instruction for a new sale or purchase.

Rule 47-7. Instructions at the time of Entrustment Pertaining to Government Bond Futures Contracts Executed Through Position Transfer, etc.

1. Notwithstanding the provisions of Rule 47, a customer shall give instructions per government bond futures contract month only for the matters enumerated in Paragraph 1, Item (2) of the same rule pertaining to a sale or purchase of government bond futures contracts by the deadline which its trading participant specifies at no later than 4:30 p.m. of the date on which the trading day when the transaction pertaining to the position transfer was effected ends. In such cases, if the customer fails to give such instruction by the time designated by its trading participant, it shall be deemed that the customer has given an instruction for a new sale or purchase.
2. The provisions of Rule 47, Paragraph 2 shall apply mutatis mutandis to the instructions prescribed in the preceding paragraph pertaining to a government bond futures transaction effected through position transfers.
3. Notwithstanding the provisions of Rule 47-2 and the preceding two paragraphs, in cases where a customer conducts give-up for government bond futures transactions effected through position transfers, the customer shall give instructions with respect to the matters enumerated in each item of Paragraph 1 of the same rule to an executing trading

participant by the deadline which such executing trading participant specifies no later than 4:00 p.m. of the date on which the trading day when the transactions pertaining to position transfers were effected ends.

4. The provisions of Rule 47-5 shall apply mutatis mutandis to the instructions on the matters enumerated in Rule 47, Paragraph 1, Item (2) by a customer of the clearing trading participant who conducted give-up for government bond futures transactions effected through position transfers.

Section 2. Margin, etc.

Rule 48. (Margin)

Matters with respect to margin shall be subject to the Rules on Margin and Transfer of Unsettled Contracts Pertaining to Futures/Option Contract prescribed by the Exchange (hereinafter referred to as "Margin Rules").

Rules 49 through 54 Deleted.

Section 3. Settlement by Physical Delivery/Payment, Final Settlement, etc.

Rule 55. Money to be Paid/Received for Settlement

1. The amount of money (excluding the amount of the consideration to be paid/received for settlement by physical delivery/payment computed pursuant to the provisions of Rule 61, in the case where a customer effects settlement by physical delivery/payment) to be paid/received between a customer and a trading participant for settlement of a large transaction shall be determined as follows: if the customer intends to conduct the settlement by effecting a resale or repurchase, the amount shall be the sum of the amount obtained by multiplying the difference between the contract price of his/her unsettled contract relevant to such resale or repurchase and the contract price of the resale or repurchase by 1,000,000 (one million) yen; or, if the customer intends to conduct the settlement by physical delivery/payment, the amount shall be the sum of the amount obtained by multiplying the difference between a contract price of his/her unsettled contract and a delivery settlement price (meaning the price used as a basis for the computation of the amount of the consideration to be paid/received for settlement by physical delivery/payment; the same shall apply hereinafter) by 1,000,000 (one million) yen.

2. The amount of money to be paid/received between a customer and a trading participant for settlement of a mini transaction shall be the amount equivalent to the difference between the following A and B where the customer settles the mini

transaction by a resale or repurchase. Said amount of money shall be the amount equivalent to the difference between the following C and D where an unsettled contract based on the entrustment from the customer is settled by the final settlement:

- A: The contract price pertaining to unsettled contracts based on entrustment from the customer which corresponds to the resale or repurchase
- B: The contract price pertaining to said resale or repurchase
- C: The contract price pertaining to unsettled contracts based on entrustment from the customer
- D: The final settlement price

3. In the event that a customer incurs loss at the time of the settlement of his/her/its government bond futures transaction, the customer shall pay to the trading participant the amount of money equivalent to the amount of such loss. In such cases, if the customer intends to conduct the settlement by effecting the resale or repurchase, such payment shall be made by the time and date designated by the trading participant but not later than the day after the trading day on which the resale or repurchase transaction was effected; provided, however, that if the customer is a "non-resident" (meaning a non-resident prescribed in Article 6, Paragraph 1, Item (6) of the Foreign Exchange and Foreign Trade Act under the Law No. 228 in 1949; the same shall apply hereinafter in this rule), the payment shall be made by the time and date designated by the trading participant but not later than the second day (excluding holidays; the same shall apply hereinafter in terms of counting the number of days) after the trading day. If the customer intends to conduct the settlement by physical delivery/payment for large transactions, such payment shall be made by the time and date designated by the trading participant but not later than the day after the last trading day (or the second day after the last trading day, if the customer is a non-resident) of the relevant contract month. If the customer intends to conduct the final settlement for mini transactions, such payment shall be made at the time and date designated by the trading participant which is by the final settlement date (or the next day if the customer is a non-resident) of said contract month.

Rule 56. Appropriation of Margin to Payment for Settlement

A trading participant may appropriate the amount of money to be paid or deposited therewith by a customer as of the day on which the customer should make payment to the trading participant as a margin or the amount of money equivalent to the customer's unrealized gain prescribed in the Margin Rules for the payment that should be made by the customer to the trading participant pursuant to the provisions of Paragraph 3 of the preceding rule.

Rule 57. Deleted.

Rule 58. Deliverable bonds

For delivery settlement of large transactions between a customer and a trading participant, such government bonds as enumerated in each of the following items shall be treated as the deliverable grade.

- (1) For standardized mid-term government bonds, coupon-bearing government bonds with a remaining period to maturity of 4 years or more but less than 5 years and 3 months both on the issue date and the day of settlement by physical delivery/payment, and also whose issue date falls in a month that is three or more months preceding the month in which the date of settlement by physical delivery/payment falls.
- (2) For standardized long-term government bonds, coupon-bearing government bonds with a remaining period to maturity of 7 years or more but less than 11 years both on the issue date and the day of settlement by physical delivery/payment, and also whose issue date falls in a month that is three or more months preceding the month in which the date of settlement by physical delivery/payment falls.
- (3) For standardized super long-term government bonds, coupon-bearing government bonds with a remaining period to maturity of 15 years or more but less than 21 years both on the issue date and the day of settlement by physical delivery/payment, and also whose issue date falls in a month that is three or more months preceding the month in which the date of settlement by physical delivery/payment falls.

Rule 59. Computation of Conversion Factors between Deliverable Bonds and Standardized Government Bonds

In cases that a customer effects settlement by delivery of large transactions, the conversion factors between deliverable bonds and the standardized government bonds shall be computed in accordance with the attached "Table for Computation of Conversion Factors between Deliverable Bonds and Standardized Government Bonds".

Rule 60. Treatment of Accrued Interest in Settlement by Physical Delivery/Payment

1. In cases where a customer effects settlement by physical delivery/payment for large transactions, accrued interest shall be subject to either taxable treatment or non-taxable treatment based on declarations from customers; provided, however, that out of those customers who have declared non-taxable treatment, such customers who are designated by the Clearing Corporation shall be treated as taxable for all or part of their accrued interest.

2. A customer shall declare to the trading participant whether he/she is subject to taxable or non-taxable treatment prescribed in the preceding paragraph by the time and date designated by the trading participant which is deemed necessary for delivery settlement of large transactions.

Rule 61. Method of Computation of the Amount of Consideration for Settlement by Physical Delivery/Payment

1. The amount of **consideration for settlement by physical delivery/payment** to be paid/received between a customer and a trading participant for settlement by physical delivery/payment for large transactions shall be the amount obtained by multiplying the product of the delivery settlement price of the contract month and the conversion factor calculated pursuant to the provisions of Rule 59 for the deliverable bond designated by a customer who entrusted the sale transaction (hereinafter referred to as a "selling customer") or the deliverable bond designated by the trading participant for each customer who entrusted the purchase transaction (hereinafter referred to as a "buying customer") by 1/100 (one hundredth) of the total amount of face value of such deliverable bond.

2. Accrued interest to be paid/received in settlement by physical delivery/payment shall be added to the amount of consideration for settlement by physical delivery/payment computed pursuant to the provisions of the preceding paragraph.

Rule 62. Combination of Securities of Deliverable Grade

A selling customer shall be granted an option regarding combination of securities of deliverable grade for each deliverable bond in integral multiple of the trading unit.

Rule 63. Notification of Securities of Deliverable Grade

A selling customer who is going to effect settlement by physical delivery/payment for large transactions shall notify the trading participant of issues of government bonds and quantity thereof he/she/it intends to deliver for settlement for physical delivery/payment by the time and date designated as necessary for the settlement for physical delivery/payment by the trading participant.

Rule 64. Delivery/Payment Cut-off Time for Customer

For settlement by physical delivery/payment for large transactions, a customer shall deliver government bonds he/she/it sold or pay the purchase considerations to the trading participant by the time and date designated by the trading participant as necessary for the settlement by physical delivery/payment for large transactions.

Rules 65 and 66. Deleted.

Rule 67. Delivery by Book-entry Transfer

When settlement by physical delivery/payment for large transactions is conducted between a customer and a trading participant, the trading participant shall, by establishing an account for the customer pursuant to the Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Act No. 75 of 2001; hereinafter, referred to as the "Book-Entry Transfer Act"), deliver or receive government bonds pertaining to his/her purchase or sale

contract by book-entry transfer through such account (or book-entry transfer through a non-taxable account, for settlement by physical delivery/payment in the case where accrued interest is determined to be subject to non-taxable treatment pursuant to the provisions of the business rules of the Clearing Corporation; the same shall apply hereinafter in this rule); provided, however, that the same shall not apply in the case that a customer delivers or receives government bonds by book-entry transfer through an account with the Bank of Japan.

Rule 68. Application of BOJ Book-Entry Regulations

Settlement by physical delivery/payment for large transactions shall, in addition to the provisions prescribed in these special regulations, be subject to an agreement between a trading participant and a customer pursuant to the provisions of the BOJ Book-Entry Regulations as prescribed by the Bank of Japan.

Rules 69 and 70. Deleted.

Rule 71. Regulatory Measures in case of Customer's Settlement Failure

1. In the event that a customer fails to pay for or deposit the margin required, fails to pay any amount of money payable to a trading participant, or deliver thereto government bonds he/she sold, or pay thereto purchase considerations with respect to government bond futures transaction by the specified deadline (including the time and date designated and deemed necessary by the trading participant pursuant to Rule 64, Paragraph 1), the trading participant may, at its discretion, make a purchase or sale contract (including the entrustment of such transaction) for the account of such customer for the purpose of completing settlement of such government bond futures contract.

2. In the event that a trading participant has incurred a loss due to the customer's failure as described in the preceding paragraph, the trading participant may appropriate the money and securities, which are held by the trading participant on behalf of such customer or recorded in the account based on the Book-Entry Transfer Act, as a compensation for such loss; if a deficit remains, the trading participant may claim the payment for such deficit from the customer.

Section 4. Transfer of Unsettled Contracts, etc.

Rule 71-2. Handling of Unsettled Contracts based on Entrustment by Customers, etc.

Matters concerning transfer of unsettled contracts based on the entrustment by customers, etc. shall be subject to the Margin Rules.

Section 5. Miscellaneous Provisions

Rule 72. Payment and Receipt of Money in Foreign Currency, etc.

Payment and receipt of money between a customer and a trading participant with respect to a government bond futures transaction may be made in foreign currency designated by the customer, if the trading participant has agreed thereto.

Rule 72-2. Validity of Cancellation of Transaction, etc.

1. In the event that the Exchange has canceled the transaction, rights and obligations between the customer and the trading participant pertaining to such transaction shall be nullified.

2. A customer shall not claim compensation for any damage or loss incurred by the cancellation of transaction by the Exchange against the trading participant who placed an erroneous order; provided, however, that the same shall not apply if it is deemed that the trading participant placed such an erroneous order with willful intent or gross negligence.

3. A customer shall not claim compensation against the Exchange for any damage or loss incurred by the cancellation of transaction by the Exchange; provided, however, that the same shall not apply if it is deemed that the Exchange caused such damage or loss with willful intent or gross negligence.

Rule 73. Rewording of Brokerage Agreement Standards

In applying the provisions prescribed in Rule 2 of the Brokerage Agreement Standards to government bond futures transactions, the term "trading participant (meaning a General Trading Participant of the Exchange; the same shall apply hereinafter)" in the same rule shall be a "trading participant (meaning a General Trading Participant or a Government Bond Futures Trading Participant of the Exchange)."

CHAPTER 4

Miscellaneous Provisions

Rule 74. Application to Commissioning of Clearing Securities, etc.

The provisions of Chapter 2 (excluding Sections 5 and 6) shall apply to the commissioning of clearing securities trading, etc., pertaining to government bond futures transactions by regarding a trading participant that entrusts the commissioning of clearing securities, etc., as an entity that effects such government bond futures transactions.

Attachment

Table for Computation of Conversion Factors between Standardized Government Bonds and Deliverable Bonds

$$\text{Conversion factor} = \frac{\frac{\text{Yearly interest of deliverable bond}}{x} \times \left\{ \left(1 + \frac{x}{2} \right)^{\left(\text{No. of interest payments after date of settlement by physical delivery/payment of deliverable bond} \right)} - 1 \right\} + 100}{\left(1 + \frac{x}{2} \right)^{\left(\frac{\text{Remaining maturity on date of settlement by physical delivery/payment}}{\text{Period from date of settlement by physical delivery/payment for deliverable bond to next interest payment date}} \right)} \times 100}$$

$$\frac{\text{Yearly interest of deliverable bond} \times \left(6 - \frac{\text{Period from date of settlement by physical delivery/payment for deliverable bond to next interest payment date}}{\text{1200}} \right)}{1200}$$

(Notes)

1. "x" in this table shall be defined as follows for each type of standardized government bonds.
 - (1) Standardized medium-term government bonds: 0.03
 - (2) Standardized long-term government bonds: 0.06
 - (3) Standardized super long-term government bonds: 0.06
2. The remaining maturity on the date of settlement by physical delivery/payment for a deliverable bond and a period between the date of settlement by physical delivery/payment for a deliverable bond and the next interest payment date shall be counted in units of months.
3. Conversion factors shall be calculated to the sixth decimal place, and decimals in the seventh or lower places shall be discarded.
4. Figures obtained in the process of calculation shall be calculated to the tenth decimal place, and decimals in the eleventh or lower places shall be discarded.
5. In the event that a government bond is delivered/received for settlement of physical delivery/payment before the first interest payment of such bond, when computing conversion factors for deliverable bonds with a remaining maturity exceeding ten (10) years in the case of a long-term standardized government bond

and conversion factors for deliverable bonds with a remaining maturity exceeding twenty (20) years in the case of a super long-term standardized government bond, the following phrases in the table shall be as follows:

- (1) The term "No. of interest payments after date of settlement by physical delivery/payment for a deliverable bond" shall be "No. of interest payments after date of settlement by physical delivery/payment for a deliverable bond +1"; and
- (2) The term "Period from date of settlement by physical delivery/payment for deliverable bond to next interest payment date" shall be "Period from date of settlement by delivery/payment for deliverable bond to next interest payment date - 6".