

## **Business Regulations of Tokyo Stock Exchange Regulation**

(as of August 24, 2009)

### Contents

- Chapter 1 General Provisions
- Chapter 2 Examination of Trading Participant Qualifications
- Chapter 3 Inspections on Trading Participants
- Chapter 4 Market Surveillance on Securities Trading, etc.
- Chapter 5 Decision on Details of Disciplinary Actions and Other Measures against Trading Participants
- Chapter 6 Examination with respect to New Listing of Financial Instruments, etc.
- Chapter 7 Examination, etc. concerning Disclosure by Issuers of Listed Securities of Information on such Issuers
  - Section 1 Examination concerning Disclosure by Issuers of Listed Securities of Information on such Issuers
  - Section 2 Decision on Details of Measures Such As Regulatory Actions against Issuers of Listed Securities
- Chapter 8 Examination with respect to Delisting of Financial Instruments, etc.
- Chapter 9 Miscellaneous Rules

### **Chapter 1 General Provisions**

#### **Rule 1. (Purpose)**

These Rules shall prescribe necessary matters concerning the execution of the self-regulatory operations that Tokyo Stock Exchange Regulation (hereinafter referred to as “TSER”) carries out by being entrusted by the entrusting financial instruments exchanges pursuant to the provisions of Article 39, Paragraph 1 of the Articles of Incorporation.

#### **Rule 2. (Definitions)**

In these Rules, the term listed in each of the following items shall mean as prescribed in each such Item:

- (1) The entrusting financial instruments exchanges shall mean Tokyo Stock Exchange, Inc. (TSE) and TOKYO AIM, Inc.;

- (2) Financial instruments, etc. shall mean financial instruments or options;
  - (3) A trading participant shall mean the trading participant of the entrusting financial instruments exchange;
  - (4) A listed security shall mean a security listed on the market of the entrusting financial instruments exchange;
  - (5) Securities trading, etc. shall mean securities trading and market derivatives trading.
  - (6) New listing, etc. shall mean new listing of financial instruments, etc. (excluding new listing of financial instruments, etc. for specified market derivatives trading (meaning market derivatives trading where underlying stocks of financial instruments, etc. are specified under the Business Regulations and other rules of the entrusting financial instruments exchange. The same shall apply hereinafter), change of the listing market of listed securities, designation of listed securities as stock of the First Section market and removal of a grace period with respect to an inappropriate merger, etc; and
  - (7) Inspections shall mean examinations on Trading Participants as prescribed in Chapter 3
2. In addition to the definitions prescribed in the preceding paragraph, the definitions of the terms used in these Rules shall be as prescribed in laws and regulations, the Business Regulations and other rules of the entrusting financial instruments exchange, except as otherwise provided by provisions of these Rules.

**Rule 3. (Self-regulatory Operations, etc. Carried Out by TSER)**

The TSER shall carry out the self-regulatory operations enumerated in each of the following items upon being entrusted by the entrusting financial instruments exchange.

- (1) Examination on qualifications of Trading Participants
- (2) Inspections on Trading Participants
- (3) Market surveillance on securities trading, etc.
- (4) Decision on details of disciplinary actions and other measures against Trading Participants
- (5) Examination with respect to new listing of financial instruments, etc.
- (6) Examination with respect to delisting of financial instruments, etc. (excluding delisting of financial instruments, etc. for specified market derivatives trading)
- (7) Examination with respect to reassignment of listed securities from the First Section Market to the Second Section Market;
- (8) Examination on information disclosure by an issuer of listed securities about such issuer and decision on details of measures such as a regulatory action against an issuer of listed securities
- (9) Development, amendment or abolishment of rules of the entrusting financial

instruments exchange concerning execution of the operations listed in each of the preceding items (excluding criteria for listing and delisting of financial instruments, etc. and criteria for granting Trading Participant qualifications)

- (10) Preparation of a summary of agendas for general shareholders' meetings of the entrusting financial instruments exchange with respect to amendment to the Articles of Incorporation of the entrusting financial instruments exchange concerning execution of the operations listed in Item (1) through Item (8) (excluding amendment to the Articles of Incorporation with respect to criteria for listing and delisting of financial instruments, etc. and criteria for granting Trading Participant qualifications)

#### **Rule 4. (Basic Policy for Executing Self-regulatory Operations)**

TSER shall carry out self-regulatory operations rigidly and appropriately from a fair and neutral standpoint in accordance with these Regulations in addition to laws and regulations, the Articles of Incorporation, and the Business Regulations and other rules of the entrusting financial instruments exchange.

#### **Rule 5. (Entrustment Agreement)**

1. TSER shall enter into an entrustment agreement with the entrusting financial instruments exchange to carry out self-regulatory operations.
2. The entrustment agreement shall prescribe the matters listed in each of the following items and other matters necessary to secure appropriate execution of the self-regulatory operations of TSER:
  - (1) Details of the entrusted self-regulatory operations
  - (2) Provision of records and materials necessary for execution of self-regulatory operations
  - (3) Confidentiality obligations
  - (4) Method for calculating operation entrustment commissions
  - (5) Causes for termination of the entrustment agreement

#### **Rule 6. (Prohibition of Re-entrustment)**

TSER shall not re-entrust the self-regulatory operations entrusted by the entrusting financial instruments exchange to any other entity.

#### **Rule 7. (Secrecy Obligation)**

TSER shall not use information that has become known to it in relation to self-regulatory operations for any other purpose than to use for such self-regulatory operations.

## Chapter 2 Examination of Trading Participant Qualifications

### **Rule 8. (Examination for Approving Trading Qualifications Obtainment)**

1. TSER shall carry out examination, based on the criteria prescribed by the entrusting financial instruments exchange, if an entity who wishes to obtain trading qualifications for the entrusting financial instruments exchange (hereinafter referred to as a “trading qualification obtaining applicant”) makes an application for obtaining a trading qualification to the entrusting financial instruments exchange.
2. TSER shall request a trading qualification obtaining applicant to submit reports or materials which are referential with regard to operations or assets of the trading qualification obtaining applicant, or shall cause employees of TSER to inspect the state of operations or assets or ledgers, documents or any other article of such trading qualification acquisition applicant, if TSER deems it necessary for the examination in the preceding paragraph.
3. When fixing results of the examination in Paragraph 1, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

### **Rule 9. (Examination with respect to Approval of Mergers, etc. of Trading Participants)**

1. Where a Trading Participant applies for approval to the entrusting financial instruments exchange concerning a merger, succession of part of a business caused by demerger (in cases of a registered financial institution, this shall mean the operations of the registered financial institution. The same shall apply hereinafter) to another company, succession of the whole or part of a business caused by demerger, transfer of part of a business to another company or transfer of the whole or part of a business from another company, TSER shall carry out examination on the basis of the criteria set forth by the entrusting financial instruments exchange.
2. The provisions in Paragraph 2 of the preceding rule shall be applied mutatis mutandis to the examination in the preceding paragraph.
3. Where any act of the Trading Participant prescribed in the same paragraph is deemed inappropriate in the light of the administration of the market of the entrusting financial instruments exchange in the examination in Paragraph 1, TSER shall carry out a hearing with such Trading Participant and shall decide that it is not appropriate for the entrusting financial instruments exchange to approve of such act. In this instance, where the Trading Participant submits a written statement, the hearing may be replaced by such submission.
4. Where the Trading Participant does not comply with the hearing in the preceding paragraph

without any adequate cause, the TSER may carry out the decision in the same paragraph without carrying out a hearing.

5. When fixing the result of the examination in Paragraph 1, TSER shall notify the entrusting financial instruments exchange of that fact without delay.
6. Where the entrusting financial instruments exchange does not give approval to the act prescribed in Paragraph 1 and the Trading Participant files an objection with the entrusting financial instruments exchange on the basis of the decision in Paragraph 3, TSER shall hold a meeting of the Board of Governors without delay.
7. Where it is deemed appropriate to change or cancel the decision in Paragraph 3 in the meeting of the Board of Governors specified in the preceding paragraph, the decision shall be changed or cancelled immediately.
8. Where the change or cancellation in the preceding paragraph is made, TSER shall notify the entrusting financial instruments exchange of that fact immediately.

### Chapter 3

#### Inspections on Trading Participants

##### **Rule 10. (Purpose of Inspection on Trading Participants)**

1. TSER shall consider inspections and carry out measures against the Trading Participant on the basis of the result pursuant to the provisions set forth by TSER.
2. Inspection in the preceding paragraph shall be to carry out a survey on the state of observation of laws and regulations or disciplinary actions of administrative agencies under laws and regulations or the Articles of Incorporation, Business Regulations, Brokerage Agreement Standards and any other rules or disciplinary actions based on these or just and equitable principles of trade (hereinafter referred to as “Laws, etc.”) and the state of operations or assets with respect to the Trading Participant, and TSER shall carry out necessary measures on the basis of the results of such a survey, thus securing the trust and cooperation of Trading Participants for public interest and the protection of investors.

##### **Rule 11. (Issuing Warning, etc.)**

1. Where an act of the Trading Participant violates or is deemed to be likely to violate Laws, etc. as a result of the inspection, TSER shall caution such Trading Participant excluding a case where disciplinary actions as prescribed in Rule 20, Paragraph 1 are executed.
2. Where TSER cautions the Trading Participant pursuant to the provisions prescribed in the preceding paragraph, TSER shall require such Trading Participant to report its improvement measures, etc. in writing, when it deems this necessary.

**Rule 12. (Requests, etc.)**

1. Where the state of operations or assets of the Trading Participant are deemed to be in circumstances where an act in violation of Laws, etc. is likely to occur, as a result of the inspection, TSER shall require such Trading Participant to carry out necessary measures to improve such circumstances, excluding cases where recommendation as prescribed in Rule 22, Paragraph 1 is made.
2. Where a request prescribed in the preceding paragraph is made, TSER shall require such Trading Participant to report its improvement measures, etc. in writing, when it deems this necessary.

**Chapter 4**

**Surveillance on Securities Trading, etc.**

**Rule 13. (Purpose of Examination of Securities Trading, etc.)**

Examination of securities trading, etc. to be carried out by TSER is for the purpose of discovering an act in violation of laws and regulations or disciplinary actions of administrative agencies or the Articles of Incorporation, Business Regulations, Brokerage Agreement Standards and any other rules or disciplinary actions on the basis of these, or an act which violates the just and equitable principles of trade (hereinafter referred to as “Violating Acts”) and acts which are likely to fall under Violating Acts, and shall simultaneously carry out necessary measures against Trading Participants, etc. involved in these acts, thus preventing Violating Acts and acts which are likely to fall under Violating Acts, securing the trust of the entrusting financial instruments exchange and Trading Participants, etc, and being conducive to public interest and the protection of investors, concerning securities trading, etc. in the market of the entrusting financial instruments exchange.

**Rule 14. (Transactions for Examination)**

TSER shall carry out examination of securities trading, etc. listed in each of the following items:

- (1) Transactions in stocks or contract month transactions, the movements of the prices or turnovers of which are not ordinary
- (2) Transactions, etc of stocks where an important fact concerning operations, etc. as prescribed in Article 166, Paragraph 1 of the Financial Instruments and Exchange Act with respect to the issuer of a listed security and a fact relating to a public offer

prescribed in Article 167, Paragraph 3 of the same Act (hereinafter referred to as “Material Facts, etc.”) are publicly announced

(3) Other securities trading, etc. that TSER deems it necessary to carry out examination

**Rule 15. (Examination Items)**

Examination of securities trading, etc. listed in each of the Items in the preceding rule shall be carried with respect to necessary items, out of the items listed in each of the following items and other items:

- (1) State of movements of prices and turnovers
- (2) State of sale or purchase of Trading Participants
- (3) Matters concerning the consigner and the state of the consignment of a sale or a purchase by such consigner
- (4) Details of Material Facts, etc. and matters concerning its public announcement
- (5) State of transactions, etc of a Trading Participant who is a manager for the issuer of a listed security

**Rule 16. (Request for Data, etc. for Examination)**

1. TSER shall require a Trading Participant to make presentation or allow perusal of its ledgers, documents and other articles or, submission of data or explanation of facts and preparation, etc. of documents stating details of such explanation, where TSER deems it necessary to carry out examination of securities trading, etc listed in each of the items in Rule 14.
2. TSER shall inquire into the developments etc. from the occurrence of corporate information to the public announcement to the issuer of the listed security, where TSER deems it necessary to carry out a survey in order to secure fairness of securities trading, etc. , and shall require the same to make presentation of data deemed necessary for such examination or explanation of facts and preparation of documents stating details of such explanation, where TSER deems it necessary to carry out examination of securities trading, etc. listed in each of the items in Rule 14.

**Rule 17. (Drawing Attention. of Trading Participants, etc.)**

1. Where the act of a Trading Participant is deemed to be an act in violation or an act which is likely to fall under an act in violation as a result of the examination of securities trading, etc., TSER shall issue warnings to such Trading Participant, where it deems it necessary.
2. TSER shall require such Trading Participant to report improvement measures, etc. by written documents, where TSER issues warnings pursuant to the provisions prescribed in

the preceding paragraph and deems it necessary.

**Rule 18. (Issuing Warnings to Issuers of Listed Securities, etc.)**

1. TSER shall issue warnings to the issuer of such a listed security, where it deems that the act of the issuer of the listed security is an act in violation of laws and regulations or an act which is likely to fall under an act in violation of laws and regulations or where it concludes that the internal system for the prevention of unfair trading with respect to corporate information is not adequate and deems it necessary, as a result of the examination of securities trading, etc.
2. TSER shall require the issuer of such a listed security to report improvement measures, etc. by a document, where it draws the violation to its attention pursuant to the provisions prescribed in the preceding paragraph and deems it necessary.

**Rule 19. (Securities under Monitoring)**

1. Where a person, who has purchased and collected a considerable number of stocks, etc. issued by the issuer of the share certificates of a specified stock, has submitted a large shareholding report (excluding cases where such a person who has purchased and collected the shares has already submitted an amendment report on the fact that the ratio of the share certificates, etc. held has fallen to 5% or below), and the movement of the price or any other transaction state, etc. of share certificates, etc. of such stock is extremely unusual, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to designate the stock as Securities under Monitoring.
2. TSER shall require a Trading Participant to report on transaction details, etc. on the securities under monitoring as prescribed by TSER.
3. TSER shall decide that it is appropriate for the entrusting financial instruments exchange to cancel the designation of securities under monitoring when TSER so specifies.
4. Where TSER makes a decision mentioned in Paragraph 1 or the preceding paragraph, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Chapter 5**

**Decision on Details of Disciplinary Actions and  
Other Measures against Trading Participants**

**Rule 20 (Decision of Details of Disciplinary Actions against Trading Participants)**

1. Where TSER deems that a matter which is the subject of a disciplinary actions to be carried out against a Trading Participant has come to fall under a matter prescribed by the

- entrusting financial instruments exchange and TSER deems it necessary, TSER shall carry out a hearing with such a Trading Participant and decide details of the disciplinary actions that the entrusting financial instruments exchange should undertake.
2. Where details of the disciplinary actions are fixed or a decision that no disciplinary actions will be undertaken is made pursuant to the provisions prescribed in the preceding paragraph and TSER deems it necessary, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to require such a Trading Participant to submit a report as prescribed by the entrusting financial instruments exchange.
  3. TSER shall decide whether or not it should make a decision as prescribed in Paragraph 1 or issue warning as prescribed in Rule 11 or 17, regardless of intention or negligence of officers or employees of such a Trading Participant, its extent and any other circumstances.
  4. Where a decision as in Paragraph 1 or 2 is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 21. (Decision, etc. of Details of Measures of Trading Participants)**

1. Where TSER deems that a matter which is the subject of disciplinary actions to be imposed against a Trading Participant has come to fall under a matter prescribed by the entrusting financial instruments exchange and TSER deems it necessary, TSER shall carry out a hearing with such a Trading Participant and decide details of the measure that the entrusting financial instruments exchange should undertake.
2. Where a Trading Participant applies to the entrusting financial instruments exchange for cancellation of disciplinary actions such as securities trading suspension pursuant to the provisions prescribed by the entrusting financial instruments exchange, TSER shall decide whether or not it is appropriate for the entrusting financial instruments exchange to approve it.
3. Where a Trading Participant receives disciplinary actions of securities trading suspension, etc. (excluding clearing contracts of securities, etc.) or suspension of securities clearing entrustment, etc. without a period given, and cannot receive approval as prescribed in the preceding paragraph within a year from the day on which such disciplinary actions are received, TSER shall decide whether or not the entrusting financial instruments exchange should cancel the trading qualifications of such a Trading Participant pursuant to the decision of a meeting of the Board of Governors, where it deems this necessary.
4. Where decision in the preceding three paragraphs is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 22. (Decision of Recommendation to Trading Participants)**

1. Where TSER deems the state of the operations or assets of a Trading Participant to be inappropriate in the light of the administration of the market of the entrusting financial instruments exchange, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to recommend the Trading Participant to carry out an appropriate measure.
2. Where a decision in the preceding paragraph is made, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to require such a Trading Participant to submit a report as prescribed by the entrusting financial instruments exchange, where it deems this appropriate.
3. TSER shall decide whether or not it should carry out the decision in Paragraph 1 and the require pursuant to the provisions prescribed in Rule 12, comprehensively taking into account the state of the internal administrative system and other circumstances of such a Trading Participant.
4. Where a decision as in Paragraph 1 or 2 is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 23. (Decision of Request to Change Co-operative Relationship or Control Relationship with Officers of Trading Participants or Others)**

1. Where TSER deems the co-operative relationship or the control relationship with officers of a Trading Participant or others inappropriate in the light of the market operation of the entrusting financial instruments exchange, TSER shall decide whether or not it is appropriate for the entrusting financial instruments exchange to require to change it, after carrying out a hearing with such Trading Participant.
2. Where decision in the preceding paragraph is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 24. (Survey on Trading Participants)**

The provisions in Paragraph 2 of Rule 8 shall be applied mutatis mutandis to decision in Paragraphs 1 and 2 of Rule 20, Paragraph 1 through Paragraph 3 of Rule 21, Paragraphs 1 and 2 of Rule 22, Paragraph 1 of the preceding rule, and surveys on a Trading Participant to be carried out by TSER deeming this necessary to secure fairness of securities trading, etc. in the market of the entrusting financial instruments exchange.

**Rule 25 (Filing Objections, etc.)**

The provisions in the latter part of Paragraphs 3 and 4 of Rule 9 shall be applied mutatis

mutandis to hearings in Paragraph 1 of Rule 20, Paragraph 1 of Rule 21 and Paragraph 1 of Rule 23, and provisions in Paragraph 6 through Paragraph 8 of Rule 9 shall be applied to decision in Paragraphs 1 and 2 of Rule 20, Paragraph 1 through Paragraph 3 of Rule 21 and Paragraph 1 of Rule 23, respectively.

## **Chapter 6**

### **Examination with respect to New Listing of Financial Instruments, etc.**

#### **Rule 26. (Examination with respect to New Listing of Financial Instruments, etc.)**

1. TSER shall conduct examination of whether or not financial instruments, etc., which the entrusting financial instruments exchange entrusts to it, will meet the criteria concerning new listing, etc. as prescribed by the entrusting financial instruments exchange.
2. TSER shall require an entity who applies for new listing, etc. to the market of the entrusting financial instruments exchange to make presentation or allow perusal of ledgers, documents, and any other article deemed necessary for the examination in the preceding paragraph, and to make submission or explanation of facts and preparation of documents stating details of such explanation.
3. Where the result of an examination as in the preceding paragraph is decided, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

## **Chapter 7**

### **Examination, etc. concerning Disclosure by Issuers of Listed Securities of Information on such Issuers**

#### **Section 1**

#### **Examination concerning Disclosure by Issuers of Listed Securities of Information on such Issuers**

#### **Rule 27. (Purpose of Disclosure Examination)**

Examination concerning disclosure of information on an issuer made by said issuer of listed securities (hereinafter referred to as “Disclosure Examination”) shall be made to carry out a survey on the state of disclosure of corporate information to be made as prescribed by the entrusting financial instruments exchange, and take necessary measures such as regulatory actions in accordance with the results of such a survey, thereby securing the appropriateness of disclosure of corporate information, making securities trading, etc. in the exchange financial instruments market fair and smooth, and contributing to the public interest and the

protection of investors.

**Rule 28. (Subject of Disclosure Examination)**

TSER shall conduct Disclosure Examination concerning the items listed in each of the following items with respect to disclosure deemed to have a material effect on investment decision or any other disclosure deemed necessary as the subject by TSER, out of the disclosure of information made by an issuer of listed securities with respect to such an issuer.

- (1) The relationship between the timing when such issuer discloses such information and the timing when such issuer makes decision on such information or recognizes such information
- (2) Inconsistency between information disclosed by such issuer and information disclosed in the Extraordinary Report or any other legal disclosure documents submitted by such issuer
- (3) Appropriateness of details of information disclosed by such issuer
- (4) Other information deemed necessary by TSER

**Rule 29. (Request for Data, etc. for Disclosure Information)**

TSER shall require the issuer of listed securities to make submission deemed necessary for the examination in the preceding rule or explanation of facts and the preparation of documents stating details of such explanation.

**Section 2**

**Decision on Details of Measures Such As Regulatory Actions  
against Issuers of Listed Securities**

**Rule 30. (Designation as Securities on Alert)**

1. Where an issuer of a listed security falls under cases referenced in each of the following items and TSER deems that improvement is highly necessary to the internal management system, etc. of such issuer, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to designate such listed security as a Security on Alert.
  - (1) Where, after TSER deemed that the issuer of the listed security is likely to fall under criteria concerning delisting of financial instruments, etc. as prescribed by the entrusting financial instruments exchange (limited to the criteria concerning false statement or adverse opinion, etc., the criteria concerning violation of listing agreement, etc., the criteria concerning prejudice of sound transactions with a controlling shareholder, the criteria concerning involvement of anti-social forces, and

other criteria concerning the public interest and the protection of investors), TSER deems it will not fall under such criteria.

- (2) Where the issuer of the listed security has submitted an improvement report as specified by the entrusting financial instruments exchange (limited to cases referenced in the following a. or B.), and TSER deems that no improvement is recognized as to the state of implementation and operation of the improvement measures.
  - a. Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc, which are prescribed by the entrusting financial instruments exchange.
  - b. Where it is deemed that the issuer has violated the provisions concerning matters which the entrusting financial instruments exchange specifies as matters to be observed, out of code of conduct regarding corporate actions (hereinafter referred to as the “code of corporate conduct”)
2. Where decision in the preceding paragraph is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 31. (Demand for Improvement Report)**

1. Where an issuer of a listed security falls under cases referenced in each of the following items and TSER deems the improvement is highly necessary, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to require such issuer to submit a report stating its developments and improvement measures.
  - (1) Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc, which are prescribed by the entrusting financial instruments exchange.
  - (2) Where it is deemed that the issuer has violated the provisions concerning the code of corporate conduct.
2. Where an issuer of a listed security does not appropriately make submission, etc. of documents pursuant to the provisions set forth by the entrusting financial instruments exchange and TSER deems there is strong need for improvement, TSER shall require such an issuer of the entrusting financial instruments exchange to submit a report stating its particulars and improvement measures.
3. Where TSER deems details of the report submitted pursuant to the provision in the preceding two paragraphs to be apparently inadequate, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to require such an issuer to change it and re-submit such report.
4. Where an issuer of a listed security does not appropriately make an affirmation and submit

documents, etc. in cases where allotment of new stocks is made to third persons pursuant to the provisions set forth by the entrusting financial instruments exchange and TSER deems improvement is highly necessary, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to require such an issuer to submit a report stating its progress and improvement measures (including whether or not it is necessary to make such a report available for public inspection).

5. Where a decision as in each of the preceding paragraphs is made, TSER shall notify the entrusting financial instruments exchange of that fact.

### **Rule 32. (Designation as Disclosure In Question Securities)**

1. Where TSER deems that an issuer of a listed security is in a state where it does not disclose corporate information immediately pursuant to the provisions set forth by the entrusting financial instruments exchange and TSER deems it necessary to make the fact that such fact is not disclosed known to the public, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to designate all or part of the stocks of the listed securities where such an issuer is the issuer as Disclosure In Question Securities.
2. Where such a fact is disclosed by such an issuer or decision is made that it is appropriate to require the submission of a report as prescribed in Paragraph 1 of the preceding rule, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to cancel the designation as Disclosure In Question Security.
3. Where a decision as in the preceding two paragraphs is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

### **Rule 33. (Public Announcement Measure)**

1. Where an issuer of a listed security falls under each of the following items and TSER deems necessary, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to make public announcement of such fact.
  - (1) Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc, which are prescribed by the entrusting financial instruments exchange.
  - (2) Where it is deemed that the issuer has violated the provisions concerning the code of corporate conduct.
2. TSER shall, when it has made decision in the preceding paragraph, notify the entrusting financial instruments exchange of such decision without delay.

### **Rule 34. (Charge of Listing Agreement Violation Penalty)**

1. In the event that an issuer of a listed security falls under cases referenced in each of the

following items and TSER deems that such violation has damaged shareholders' and investors' confidence in the market of the entrusting financial instruments exchange, TSER shall decide that it is appropriate that the entrusting financial instruments exchange require the said issuer to pay a listing agreement violation penalty.

- (1) Where it is deemed that the issuer has violated the provisions concerning timely disclosure of corporate information, etc, which are prescribed by the entrusting financial instruments exchange.
  - (2) Where it is deemed that the issuer has violated the provisions concerning the code of corporate conduct.
  - (3) Where, in addition to cases in the preceding two paragraphs, it is deemed that the issuer of the listed security has violated rules prescribed by the entrusting financial instruments exchange.
2. TSER shall, when it has made decision in the preceding paragraph, notify the entrusting financial instruments exchange of such decision without delay.

## Chapter 8

### Examination with respect to Delisting of Financial Instruments, etc.

#### Rule 35. (Examination with respect to Delisting of Financial Instruments, etc.)

1. TSER shall carry out examination as to whether or not financial instruments, etc. listed on the market of the entrusting financial instruments exchange fall under the criteria concerning delisting of financial instruments, etc. as set forth by the entrusting financial instruments exchange.
2. TSER shall require an issuer of a listed security to submit data deemed necessary for the examination in the preceding paragraph or an explanation of facts and the preparation of documents stating the details of such explanation.
3. Where TSER requires certified public accountants, etc. (including those who used to be such certified public accountants, etc.) who carry out audit explanation, etc. of financial statements, etc. or interim financial statements, etc. to provide explanation of circumstances, etc. by deeming it necessary for examination as in Paragraph 1, TSER shall require full co-operation of an issuer of a listed security.
4. Where the result of the examination as in Paragraph 1 is decided, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 36. (Designation of Listed Securities as Securities under Supervision)**

1. Where TSER deems that a listed security is likely to fall under the criteria concerning delisting of the listed security prescribed by the entrusting financial instruments exchange, TSER shall decide that it is appropriate for the entrusting financial instruments exchange to designate such a listed security as a Security under Supervision.
2. Where a decision as in the preceding paragraph is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Rule 37. (Examination with respect to Reassignment of Listed Securities)**

1. TSER shall carry out examination as to whether or not a listed security falls under the criteria concerning reassignment of listed stocks from the First Section to the Second Section as set forth by the entrusting financial instruments exchange.
2. TSER shall require an issuer of a listed security to submit data deemed necessary for examination as in the preceding paragraph or explanation of facts and preparation of documents stating details of such explanation.
3. Where the results of examination as in Paragraph 1 is made, TSER shall notify the entrusting financial instruments exchange of that fact without delay.

**Chapter 9  
Miscellaneous Rules**

**Rule 38 (Public Announcement)**

TSER shall publicly announce the state of execution of its operations every year.

**Rule 39. (Application to Clearing Contracts of Securities, etc.)**

These Rules shall be applied to clearing contracts of securities, etc. with respect to securities trading, etc. by deeming Trading Participants who entrust clearing contracts of securities etc. as persons who carry out transactions, etc. of such securities.

**Rule 40. (Authority of Revision)**

Amendment to these Rules shall be made by resolution of the Board of Governors; provided, however, that this shall not apply to cases where details of the amendment are of minor significance.

**Rule 41. (Decision of Necessary Matters)**

TSER may prescribe rules concerning necessary handling with respect to the execution of the

## Reference Translation

self-regulatory Operations which TSER carries out by being entrusted by the entrusting financial instruments exchange, in addition to the matters prescribed in these Rules, when it is necessary to do so.