

## Rules Concerning Just and Equitable Principles of Trade (as of January 4, 2010)

Tokyo Stock Exchange, Inc.

### Rule 1. Purpose

These rules shall provide acts prescribed by the Exchange pursuant to Rule 42 of the Trading Participant Regulations.

### Rule 2. Definitions of the terms

1. The term “derivatives instruments” means futures enumerated in Article 2, Paragraph 21, Item 2 of the Financial Instruments and Exchange Act (hereinafter the “Act”) pertaining to indices (limited to those comprehensively representing price levels of numerous securities listed on a financial instruments exchange(s) in Japan; the same shall apply hereinafter)[including similar instruments traded in a foreign financial instruments market(s); hereinafter referred to as “index futures”], options enumerated in Article 2, Paragraph 21, Item 3 of the Act pertaining to indices (including similar options traded in a foreign financial instruments market(s); hereinafter referred to as “index options”), OTC derivatives pertaining to indices, or securities/certificates whose amount of dividend, interest, distribution money, redemption money, etc. is calculated in accordance with numerical values of indices or prices of index futures trading in a predetermined method (including securities or certificates having a similar feature that are issued by a foreign country or a foreign corporation).
2. The term “stock price index linked investment trust beneficiary certificates” means beneficiary certificates of a stock price index linked investment trust (meaning an investment trust which is managed in order to make the fluctuation ratio of the net asset amount per unit of the investment trust correspond to the fluctuation ratio of a specified stock price index (including a similar trust which is created under foreign laws and regulations in a foreign country)).
3. The term “subsidiary/parent companies of a trading participant” means foreign corporations which are subsidiaries (meaning subsidiaries prescribed in Article 2, Item 3 of the Companies Act (Law No.86 of 2005) and other companies whose 50% or more of the voting rights (excluding voting rights of shares which cannot be exercised for all matters that can be resolved in a general shareholders meeting, but including voting rights of shares deemed to hold voting rights pursuant to the provisions prescribed in Article 879, Paragraph 3 of the Company Act; the same shall apply hereinafter) of the total shareholders of such other company is held by a trading participant; the same shall apply hereinafter) or parent companies (meaning parent companies prescribed in Article 2, Item 4 of the Companies Act and other company which has 50% or more of the voting rights of the total shareholders of a trading participant; the same shall apply hereinafter) of trading participants that carry out business similar to financial instruments business in a foreign country. In these cases, other company whose parent company is a subsidiary of a trading participant and another company which is a parent company of a subsidiary of a trading participant shall be deemed to be a subsidiary, and other company which is a parent company of a parent company of a trading participant and other company whose parent company is a parent company of a trading participant shall be deemed to be a parent company of such trading participant.

4. The term “cash market” means a financial instruments exchange market which a financial instruments exchange in Japan operates for securities trading.
5. The term “derivative products market” means a financial instruments exchange market or a foreign financial instruments market operated for derivatives trading.
6. The term “securities options, etc.” means securities options (meaning trading enumerated in Article 2, Paragraph 21, Item 3 of the Act pertaining to trading in listed securities (including similar trading carried out in a foreign financial instruments market, etc.), securities options which are the object of OTC options trading, and trading similar to such securities options; the same shall apply hereinafter in this rule and Rule 3), a right to be able to effect a transaction in which an amount of money calculated in accordance with prices of a listed security in a predetermined method is paid and/or received, or a right pertaining to a security or certificate whose amount of dividend, interest, distribution money, or redemption money, etc. is calculated in accordance with prices of a listed security in a predetermined method.
7. The term “arbitrage” means, transactions using a relation between levels of a contracted index pertaining to index futures trading and levels of an index, in which a sale or a purchase, or a final settlement of an index futures trading is conducted, and in which at the same time a sale or a purchase is made in multiple securities of different issues in an amount of the contract value (limited to securities selected so that the fluctuation of the total amount of prices of such securities will be approximated to the fluctuation of an index for index futures trading) [including transactions using index options transaction which correspond thereto].

### **Rule 3. Acts of Trading Participants**

Acts specified by the Exchange as prescribed in Rule 42 of the Trading Participant Regulations shall be acts enumerated in each of the following items:

- (1) Acts concerning trading, etc. straddling two markets;
- (2) Acts concerning arbitrage;
- (3) Act concerning takeover bids;
- (4) Act concerning stabilization transactions; and
- (5) Any other acts that impair the protection of investors or harm fair trading.

### **Rule 4. Acts Concerning Trading, etc. Straddling Two Markets**

1. Acts concerning transactions, etc. straddling two markets as prescribed in Item 1 of the preceding rule shall mean acts enumerated in the following items that the trading participant carries out in relation to transactions on a proprietary account or an account of such trading participant’s subsidiary or parent company or affiliated company conducting financial instruments business (limited to transactions for which investment decisions are substantially entrusted to such trading participant; the same shall apply hereinafter):
  - (1) A trading participant holding one of the two price-linked products executes fictitious trades in the other product for the purpose of gaining profits by making other persons misunderstand the state of trading in such product;
  - (2) A trading participant holding one of the two price-linked products conducts wash trades in the other product in prior conspiracy with other person(s) for the purpose of gaining profits by making third parties misunderstand the state of trading in such product;
  - (3) A trading participant holding one of the two price-linked products makes the price fluctuate by trading in the other product for the purpose of enticing other persons’

- transactions and then gaining profits;
- (4) A trading participant holding one of the two price-linked products disseminates rumors about the other product for the purpose of enticing other persons' trades and then gaining profits;
  - (5) A trading participant holding a derivative product intentionally causes an index or a price of index futures trading to fluctuate or prevents an index or a price of index futures trading from rising or falling by means of conducting trading in the cash market or index futures trading in the derivatives market for the purpose of making the final settlement or exercise of rights, etc. of such derivative product favorable for itself, or a trading participant who holds an unsettled contract pertaining to a sale of a derivative product does the same for the purpose of preventing rights from being exercised;
  - (6) A trading participant who holds securities options, etc. conducts trading in a listed security which is the object of such securities options, etc., thereby intentionally causing a price of such listed security to fluctuate or preventing a price of such listed security from rising or falling, for the purpose of making exercise of rights or the calculation of margin favorable for itself or a trading participant who holds an unsettled contract pertaining to a sale of securities options, etc. does the same for the purpose of preventing rights from being exercised, etc.; or
  - (7) A trading participant who knows that an order entrusted by a customer which is likely to have a material impact on the market of either of the two price-linked products conducts trading in the other product ahead of placement of such order for the purpose of gaining profits using this information.
2. Two price-linked products as prescribed in the preceding paragraph shall be those enumerated in each of the following items:
- (1) A derivative product and a listed security;
  - (2) Stock price index linked ETF beneficiary certificates and a listed stock;
  - (3) A derivative product and stock price index, etc. linked ETF beneficiary certificates; or
  - (4) Securities options and a listed security which is the object of such securities options.

#### **Rule 5. Acts Concerning Arbitrage**

1. Acts concerning arbitrage as prescribed in Rule 3, Item 2 shall be acts enumerated in each of the following items that a trading participant carries out:
- (1) Where the Tokyo Stock Price Index [hereinafter "TOPIX"] (meaning the market capitalization weighted stock price index computed by the Exchange whose component stocks are the First Section Market stocks out of the listed stocks on the Exchange (limited to stocks issued by domestic corporations (excluding stocks without voting rights (meaning stocks without voting rights prescribed in Rule 2, Item 87 of the Securities Listing Regulations), stocks with fewer voting rights (meaning those enumerated in Rule 205, Item 9-2, Sub-item b of said Regulations), and preferred stocks, etc. (meaning preferred stocks, etc. prescribed in Rule 2, Item 90 of said Regulations) ) falls lower than the closing level of the preceding day of the TOPIX beyond the range of fluctuations specified in the following paragraph, a trading participant carries out a sale (excluding a sale by clearing intermediation of securities, etc.) pertaining to arbitrage in stocks for a proprietary account or an account of its subsidiary or parent company or an affiliated company which carries out financial instruments business during a period from the time when the TOPIX has fallen beyond such range of fluctuations to the time when the difference between the TOPIX and the closing level of

TOPIX on the preceding day becomes within the range of fluctuations specified in Paragraph 3 (in cases where the difference does not become within such range of fluctuations by the time of the closing of the afternoon trading session, this shall become so by the time of the closing of the afternoon trading session); or

- (2) Where the TOPIX rises higher than the closing price of the TOPIX on the preceding day beyond the range of fluctuations specified in the following paragraph, a trading participant carries out a purchase (excluding a purchase subject to clearing intermediation of securities, etc.) pertaining to arbitrage in stocks in the proprietary account or an account of its subsidiary or parent company or an affiliated company which conducts financial instruments business during a period from the time when the Tokyo Stock Price Index has risen beyond such range of fluctuations to the time when the difference between the TOPIX having risen beyond such range of fluctuations and the closing price of the TOPIX of the preceding day becomes within the range of fluctuations specified in Paragraph 3.
2. The ranges of fluctuations where a sale or a purchase pertaining to arbitrage is restricted pursuant to the provisions of each item of the preceding paragraph shall be as follows in accordance with the levels of the numerical values of the closing price of the TOPIX on the preceding day,:

Numerical values of the closing prices of the TOPIX On the preceding day	Range of Fluctuations
Less than 2,000 points	100 points
2,000 points or more, but less than 3,000 points	150 points
3,000 points or more, but less than 4,000 points	200 points
4,000 points or more	250 points

3. The ranges of fluctuations where restrictions on a sale or a purchase pertaining to arbitrage are lifted pursuant to the provisions of each item of Paragraph 1 shall be as follows in accordance with the levels of the numerical values of the closing prices of the TOPIX on the preceding day:

Numerical values of the closing prices of the Tokyo Stock Price Index on the previous day	Range of Fluctuations
Less than 2,000 points	70 points
2,000 points or more, but less than 3,000 points	100 points
3,000 points or more, but less than 4,000 points	130 points
4,000 points or more	160 points

4. Notwithstanding the provisions of the preceding two paragraphs, the Exchange may change the ranges of fluctuations specified in each of such paragraphs if the Exchange deems it necessary in consideration of the stock market conditions, etc.

#### **Rule 6. Acts Concerning Takeover Bids**

Acts related to takeover bids as prescribed in Rule 3, Item 3 shall mean those enumerated in each of the following items that a trading participant carries out:

- (1) Acts enumerated in the following sub-items that a trading participant carries out in cases where a trading participant becomes a person who carries out administrative works

enumerated in each item of Paragraph 4 of Article 8 or each item of Paragraph 4 of Article 14-3-3 of the Enforcement Ordinance of the Financial Instruments and Exchange Act (Government Ordinance No.321 of 1965; hereinafter referred to as the “Enforcement Ordinance”) for a takeover bidder concerning a takeover bid, or a person who carries out purchases, etc. (meaning purchases, etc. as prescribed in Article 27-2 of the Act; the same shall apply hereinafter) of stocks, etc. (meaning stocks, etc. as prescribed in Article 27-2 of the Act; the same shall apply hereinafter) by the takeover bid for and on behalf of the takeover bidder (hereinafter referred to as a “person related to the takeover bidder”):

- a. A trading participant leaks or steals to use special information which was obtained ex officio concerning such takeover bid after deciding to become a person related to the takeover bidder;
  - b. After a trading participant has decided to become a person related to the takeover bidder, the trading participant carries out purchases, etc. (including purchase, etc. based on a discretionary trading agreement) of stocks, etc. issued by an issuer of stock, etc. pertaining to such takeover bid on the proprietary account on the Exchange market before a day on which public announcement is made on such takeover bid, for the purpose of carrying out sales, etc. (meaning sales, etc. as prescribed in Article 27-2 of the Act) to the takeover bidder, etc. (meaning a takeover bidder, etc. as prescribed in Article 27-3 of the Act; the same shall apply hereinafter);
- (2) A trading participant becomes a person related to a takeover bidder concerning the takeover bid, knowing that a person intends to obtain unjust profits by carrying out sales of stock, etc. that it owns at a favorable prices using a takeover bid; or
- (3) A trading participant conducts acceptance of buy orders for a stock (excluding acceptance of clearing intermediation of securities, etc.) on an account of a person who accumulates shares of the stock by purchases concerning a takeover bid, uses a position as a person owning a large number of shares of such stock, and aims to carry out sales to parties related to the issuer of such stock at favorable prices against their will or to take similar actions.

### **Rule 7. Acts Concerning Stabilization Transactions**

Acts concerning stabilization transactions as prescribed in Rule 3, Item (4) shall mean acts enumerated in each of the following items that a trading participant carries out:

- (1) With respect to a listed stock, listed preferred equity investment security, or listed investment security (hereinafter referred to as “listed stock, etc”), or a listed investment trust beneficiary certificate (meaning a beneficiary certificate for investment trusts; the same shall apply hereafter) which is issued by an issuer of securities pertaining to offering made to 50 persons or more (hereinafter referred to as “offering” in this rule) or secondary offering, the following acts (excluding brokerage of a purchase of a security consummated due to an exercise of rights in trading enumerated in Article 2, Paragraph 21, Item 3 of the Act pertaining to securities trading) that a trading participant conducts regarding a purchase which is conditioned to be executed within the period during which the market participant may conduct stabilization transactions

In this case, the definitions of the terms above shall be as follows:

- ① The term “offering or secondary offering” shall exclude offering or secondary offering with regard to issuing of subscription warrants to officers or employees, and granting what is deemed as stock options;
- ② The term “securities pertaining to offering or secondary offering” shall exclude the

following securities;

- (a) A subscription warrant security other than a subscription warrant security representing a subscription warrant by which a stock is issued or transferred at the market price or a certain price close to the market price (hereinafter referred to as a “market value subscription warrant security),
- (b) A subscription warrant security or a corporate bond other than a bond with a subscription warrant that is the warrant defined by the above (a) (hereinafter referred to as a “market value subscription warrant security”), and
- (c) A preferred equity investment security other than a preferred equity investment security (meaning a preferred equity investment security issued by a cooperative structured financial institution; the same shall apply hereinafter) issued at the market price or a certain price close to the market price

③ The term “listed stock which is issued by an issuer of securities pertaining to offering or secondary offering” shall mean the following securities in the following cases;

- (a) In the case of offering or secondary offering of market value subscription warrant securities, listed stocks or listed market value subscription warrant securities,
- (b) In the case of offering or secondary offering of bonds with market value subscription warrant securities, listed stocks or listed bonds with market value subscription warrants

④ The term “stabilization transactions” mean stabilization transactions as prescribed in Article 20, Paragraph 1 of the Enforcement Ordinance

⑤ The term “the period during which the participant may conduct stabilization transactions” hereinafter mean any of the stabilization transaction periods prescribed in Article 22, Paragraphs 2 to 4 of the Enforcement Ordinance

a. An act of accepting brokerage (excluding brokerage of clearing intermediation of securities, etc.) of purchases from an issuer, while knowing that such issuer is an issuer of a security pertaining to stabilization transactions;

In this case, the purchases from such issuer shall be limited to (i) purchases of listed stocks, etc. in the case that securities pertaining to stabilization transactions are listed stocks, etc., as well as (ii) purchases of listed investment trust beneficiary certificates in the case that securities pertaining to stabilization transactions are listed investment trust beneficiary certificates

b. An act of accepting brokerage of purchases from an entity, while knowing that it is an entity who may entrust stabilization transactions

In this case, the term “entity who may entrust stabilization transactions” shall mean entities enumerated in each item of Paragraph 3 of Article 20 of the Enforcement Ordinance, but exclude entities prescribed in the following c. and trading participants.

Moreover, the term “accepting brokerage of purchases from an entity” shall exclude the following acceptance:

- ① Accepting clearing intermediation of securities, etc.
- ② Accepting brokerage of stabilization transactions (excluding, in cases other than the case prescribed in d. below, stabilization transactions based on a discretionary trading agreement)

- c. An act of accepting brokerage of a purchase from an entity, while knowing that it is a foreign corporation which conducts business similar to financial instruments business in a foreign country in which the trading participant has entered into an underwriting agreement with an issuer of a security pertaining to stabilization transactions

In this case, the definitions of the terms above are as follows:

- ① The term “security pertaining to stabilization transactions” shall be limited to such security pertaining to offering or secondary offering which is made in regions other than Japan
- ② The term “accepting brokerage of purchases” shall exclude the following acceptance:
  - (a) Accepting brokerage of stabilization transactions (excluding, in cases other than the case prescribed in d. below, stabilization transactions based on a discretionary trading agreement)
  - (b) Accepting brokerage of purchases enumerated in each item of Rule 67 of the Business Regulations

- d. Acts of purchasing on a proprietary account, and purchasing based on a discretionary trading agreement and entrusting such purchases in cases of that an issuer of a security pertaining to stabilization transactions has notified that the trading participant is a person enumerated in Article 20, Paragraph 3, Item 5 of the Enforcement Ordinance

In this case, the definitions of the terms above are as follows:

- ① The term “security pertaining to stabilization transactions” shall be limited to such security pertaining to offering or secondary offering which is made in regions other than Japan;
- ② The term “purchasing on a proprietary account” shall exclude stabilization transactions and purchases enumerated in each item of Rule 67 of the Business Regulations;
- ③ The term “purchasing based on a discretionary trading agreement” shall exclude stabilization transactions and purchases enumerated in each item of Rule 67 of Business Regulations; and
- ④ The term “entrusting such purchases” shall exclude entrustment of clearing intermediation of securities, etc., but include entrustment of clearing intermediation of securities, etc. pertaining to the following purchases.
  - (a) Purchases on a proprietary account, excluding stabilization transactions
  - (b) Purchases based on a discretionary trading agreement, excluding stabilization transactions

- (2) Acts enumerated in the following sub-items which are committed during a period from the time of the first stabilization transaction being carried out to the end of the stabilization transaction period, while a trading participant knows that stabilization transactions are carried out for a security pertaining to such stabilization transaction without indicating to that effect.

In this case, such acts shall exclude accepting brokerage of purchases of a security which are to be consummated by exercise of rights related to trades enumerated in Article 2, Paragraph 21, Item 3 of the Act pertaining to securities trading.

- a. Acceptance of entrustment of purchases or sales (excluding the following purchases

and sales) pertaining to stocks, preferred equity investment securities, market value subscription warrant securities, investment securities, or corporate bonds with market value subscription warrants (and investment trust beneficiary certificates in cases where securities pertaining to stabilization transactions are investment trust beneficiary certificates):

- ① Acceptance of entrustment of purchases from financial instruments firms or exchange trading authorized firms;
  - ② Sales to financial instruments firms or exchange trading authorized firms; and
  - ③ Sales based upon commissioning of clearing securities trading.
- b. Acceptance of brokerage of the following transactions (excluding acceptance from financial instruments firms or exchange trading authorized firms) pertaining to transactions enumerated in Article 2, Paragraph 21, Item 3 of the Act regarding trades of securities issued by an issuer of said securities
- ① A transaction that makes a trading participant a party in a position to acquire securities options that can consummate purchases of such securities
  - ② A transaction that makes a trading participant a party in a position to grant securities options that can consummate sales of such securities

(Note)

1. The definitions of the terms pertaining to index futures trading shall be as prescribed in Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Index Futures Contract.
2. The definitions of the terms pertaining to securities options trading shall be as prescribed in Special Regulations of Business Regulations, Margin/Loan Trading Regulations, and Brokerage Agreement Standards Concerning Securities Options Contract.
3. The definitions of the terms pertaining to index options trading shall be as prescribed in Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Index Options Contract.