

Enforcement Rules for Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Government Bond Futures Contract

(as of January 4, 2010)

Tokyo Stock Exchange, Inc.

Rule 1. Purpose, etc.

1. These Rules shall prescribe matters specified by the Exchange pursuant to the Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Government Bond Futures Contract (hereinafter referred to as the "Special Regulations of Government Bond Futures").
2. The meanings of terms in these Rules shall be subject to the provisions of the Special Regulations of Government Bond Futures.

Rule 2. Priority of Simultaneous Bids or Offers

1. The priority of bids or offers placed simultaneously or those with respect to which there is a difficulty in determining the time priority as prescribed by Rule 5, Paragraph 2, Item (2), Sub-item b of the Special Regulations of Government Bond Futures (hereinafter collectively referred to as "simultaneous orders") shall be as prescribed in each of the following items.
 - (1) Orders in the quantity for the unit of trading (hereinafter referred to as the "minimum unit") shall have precedence sequentially over orders in quantity other than the quantity five (5) times the minimum unit until they reach the quantity five (5) times the minimum unit, in the order from a trading participant with a greater quantity of an order to a trading participant with a smaller quantity of an order (sequentially in accordance with the recording time in the trading system if the quantity of the order is the same; the same shall apply in the following item) by the unit of a trading participant who makes a simultaneous order.
 - (2) The priority of orders among the quantities of the portion other than the quantity five (5) times the minimum unit shall be as prescribed in the following, by the unit of a trading participant, in the order from a trading participant with a greater quantity of an order to a trading participant with a smaller quantity of an order.
 - a. The first order
The quantity obtained by multiplying the quantity of the order by one third (if a fraction less than the minimum unit occurs, it shall be rounded up to the nearest minimum unit; the same shall apply hereinafter in this Item).
 - b. The second order

The quantity obtained by multiplying the quantity (excluding the quantity in the preceding a.) by one half.

c. The third order

All quantities excluding the quantities in a. and the preceding b.

(3) Notwithstanding the provisions of the preceding two items, the following rules shall apply to cases where a market order is deemed to be the order at the price at the limit of the range of price fluctuation (hereinafter referred to as a “limit price”) pursuant to Rule 5, Paragraph 4 of the Special Regulations of Government Bond Futures.

a. Orders in the minimum unit shall have precedence sequentially over orders in the quantity other than the quantity five (5) times the minimum unit until they reach the quantity five (5) times the minimum unit, in the order from a trading participant with a greater quantity of an order to a trading participant with a smaller quantity of an order (sequentially in accordance with the recording time of the order at such price recorded from the market order in the trading system if the quantity of the order is the same) by the unit of a trading participant who makes a simultaneous order.

b. The priority of orders among the quantities of the portion other than the quantity five (5) times the minimum unit shall be as prescribed by the following by the unit of a trading participant:

(a) An order of the quantity (which shall be rounded down if a fraction less than the minimum unit occurs) obtained by multiplying the quantity of the order of such trading participant by a pro-rata ratio (the ratio of the total quantity of the matched order against the total quantity of simultaneous orders) shall have precedence, and

(b) With respect to the portion other than the quantity prescribed in the preceding (a), an order in the minimum unit shall have precedence sequentially over orders of quantities of the portion other than the quantity of the minimum unit, in the order from a trading participant with a greater quantity of fractional numbers less than the minimum unit rounded down pursuant to the same (a) to a trading participant with a smaller quantity of fractional numbers (sequentially in accordance with the recording time of the order at such price recorded from the market order in the trading system if the quantities rounded down are the same).

2. With respect to the priority of simultaneous orders as prescribed in Rule 5, Paragraph 2, Item (2), Sub-item b of the Special Regulations of Government Bond Futures as applied with the rewording pursuant to the provisions of Rule 5 Paragraph 5 thereof, orders in the minimum unit shall have precedence sequentially over orders in the quantity other than the quantity five (5) times the minimum unit, in the order from a trading participant with a greater quantity of an order to a trading participant with a smaller quantity of an order (sequentially in accordance with the recording time in the trading system if the quantity of the order is the same) by the unit of a trading participant who makes a simultaneous order.

Rule 3. Suspension of Trading

The suspension of trading as prescribed in Rule 5, Paragraph 3 of the Special Regulations of Government Bond Futures (including when applied with replacement reading pursuant to Rule 5, Paragraph 5 thereof) and Rule 6, Paragraph 2, Item (2) thereof (including when applied with replacement reading pursuant to Rule 6, Paragraph 6 thereof) shall refer to the cases described in each of the following items:

- (1) A case in which trading is temporarily suspended pursuant to Rule 11 of the Special Regulations of Government Bond Futures; and
- (2) A case in which trading is halted pursuant to Rule 12 of the Special Regulations Concerning Government Bond Futures Contract.

Rule 4. Deleted

Rule 5. Matched Quantity in Cases when Contract Prices, etc., are Determined

1. The amount of orders on the other side determined separately by the Exchange as prescribed in Rule 6, Paragraph 3, Item (3), Sub-item b of the Special Regulations of Government Bond Futures shall be the amount not less than the minimum unit.

2. The provision of the preceding paragraph shall apply mutatis mutandis to the amount determined separately by the Exchange as prescribed in Rule 6, Paragraph 3, Item (3), Sub-item b of the Special Regulations of Government Bond Futures as applied with the rewording pursuant to Rule 6, Paragraph 6 thereof. In this instance, the term “Rule 6, Paragraph 3, Item (3), Sub-item b of the Special Regulations of Government Bond Futures” in the preceding paragraph shall read “Rule 6, Paragraph 3, Item (3), Sub-item b of the Special Regulations of Government Bond Futures as applied with the rewording pursuant to Rule 6, Paragraph 6 thereof.”

3. The price determined by the Exchange as prescribed in the proviso clause of Rule 6-2, Paragraph 1, Item (1), of the Special Regulations of Government Bond Futures shall be the base price of the nearer contract month in the trading session of the trading day (meaning the base price of the price fluctuation range of bids and offers as prescribed in Rule 9, Paragraph 2): provided, however, that if the Exchange deems it inappropriate to use such base price as the contract price of the nearer contract month, it shall determine the appropriate price on a case-by-case basis.

Rule 6. Quote Indications

1. The quote indications as prescribed in Rule 6, Paragraph 2, Item (4) and Item (5) of the Special Regulations of Government Bond Futures, Rule 6-2, Paragraph 1, Item (1) thereof, and Rule 11, Paragraph 1, Item (1) thereof shall be the quote indications as prescribed in Rule 8, Paragraph 1, Item (3) through Item (5).

2. The quote indications as prescribed in Rule 6, Paragraph 2, Item (4) of the Special

Regulations of Government Bond Futures as applied with the rewording pursuant to Rule 6, Paragraph 6 thereof, shall be the quote indications as prescribed in Rule 8, Paragraph 1, Item (3) through Item (5) as applied with the rewording pursuant to Rule 8, Paragraph 2.

Rule 7. Price Fluctuation Range of Transactions Which Determine Contract Price at Closing of Trading Session

The range of price fluctuation determined by the Exchange as prescribed in Rule 6, Paragraph 5 of the Special Regulations of Government Bond Futures shall be 15/100 yen: provided, however, that a price fluctuation range shall be specified by the Exchange on a case by case basis if the said range is not appropriate due to changes in quotes, etc.

Rule 7-2. Cancellation of Executed Transactions

1. The cancellation of executed transactions as prescribed in Rule 6-3, Paragraph 1 of the Special Regulations of Government Bond Futures shall be effected after the trading is suspended pursuant to Rule 12, Item (1) thereof (or after the publication of certain information concerning the order with an error pursuant to Rule 77-2 of the Business Regulations as applied with the rewording pursuant to Rule 45 of the Special Regulations Concerning Government Bond Futures Contract, if the trading is not suspended).

2. The transaction determined by the Exchange pursuant to Rule 6-3, Paragraph 1 of the Special Regulations of Government Bond Futures shall be such transaction as deemed necessary by the Exchange on a case by case basis.

Rule 8. Matters Concerning Bids and Offers

1. Matters necessary for bids and offers in the government bond futures contract to be specified by the Exchange as prescribed in Rule 7, Paragraph 8 of the Special Regulations of Government Bond Futures shall be matters prescribed in each of the following items.

(1) Force and effect of bids and offers

Bids and offers pertaining to the morning trading session and the afternoon trading session shall cease to be effective at the closing of the afternoon trading session of the same day and bids and offers pertaining to the evening session shall cease to be effective at the closing of the evening session of the same day: provided, however, that for cases in which trading is suspended pursuant to Rule 12 of the Special Regulations of Government Bond Futures, the Exchange may determine the treatment of the force and effect of bids and offers separately on a case by case basis.

(2) Method for placing bids and offers, etc.

a. Bids and offers shall be made by entering the specifics thereof into the trading participant's terminal of the electronic trading systems.

b. Bids and offers as described in each of the following items pertaining to the transactions as prescribed in Rule 6, Paragraph 2 of the Special Regulations of Government Bond Futures shall be processed in the manner prescribed in each of the corresponding Items.

- (a) A bid with a higher price than an offer being made at the same time shall be processed by matching it with individual offers currently being made within the applicable limit of price fluctuation range.
- (b) An offer with a lower price than a bid being made at the same time shall be processed by matching it with individual bids currently being made within the applicable limit of price fluctuation range.

(3) Special public announcement of bids and offers through quote indications

In cases when the a bid or offer price is outside the limit deemed appropriate from the perspective of maintenance of continuity of price, the Exchange shall make special public announcement of the existence of such price through certain indications displayed on trading participant's terminal of the electronic trading systems (hereinafter referred to as "quote indications").

(4) Timing, etc., of quote indications

The timing and price of the quote indications as prescribed in the preceding item shall be determined on a case by case basis by the Exchange by taking into consideration the status of the bids and/or offers at that time.

(5) Update of quote indications

The Exchange may update the quote indications as prescribed in Item (3) at a time interval deemed appropriate by the Exchange from the time of initial quote indications with a price falling within the price fluctuation range of 10/100 yen.

(6) Processing of bids and offers at the time of quote indications

When quote indications pursuant to Item (3) are publicized, for a bid or offer to be matched in a quantity exceeding the quantity of a bid or offer pertaining to the special quote price, the Exchange may process the bid or offer by matching it with the quantity pertaining to the quote indications.

(7) Prohibition of market orders, etc., pertaining to inter-month spread trading

A trading participant may not place a market order or order to be executed only at closing of the trading session pertaining to inter-month spread trading.

(8) Prohibition of market orders

The Exchange may, in case that it deems it necessary in consideration of the status of trading in the government bond futures contract, prohibit market orders.

2. In applying the provisions prescribed in Item (2) through Item (6) of the preceding paragraph to the inter-month spread trading, the terms "Rule 6, Paragraph 2 of the Special Regulations of Government Bond Futures," "offer," and "bid" in Item (2) shall be read as "Rule 6, Paragraph 2 of the Special Regulations of Government Bond Futures as applied with

the rewording pursuant to Rule 6, Paragraph 6 thereof,” “spread offer,” and “spread bid,” respectively; the term “price” in Item (2) through Item (6) shall be read as “spread price;” and the term “special quote price” in Item (6) shall be read as “special quote spread price.”

Rule 9. Price Limit on Bids and Offers

1. The price limit determined by the Exchange as prescribed in Rule 7, Paragraph 5 of the Special Regulations of Government Bond Futures (hereinafter referred to as the “price limits on bids and offers”) shall be as prescribed in each of the following items in accordance with the classification of government bond futures referenced in each of such Items:

(1) Large transactions

- a. 3 yen for the standardized medium-term government bond
- b. 3 yen for the standardized long-term government bond
- c. 4.50 yen for the standardized long-term government bond

(2) Mini transactions

3 yen

2. The base price for the price fluctuation range of bids and offers as prescribed in the preceding paragraph shall be the clearing price (meaning such clearing price as determined by the Clearing Corporation as the clearing price of the government bond futures contract; the same shall apply hereinafter) of the contract month on the preceding trading day: provided, however, that if the Exchange deems it inappropriate to use such clearing price of the contract month on the preceding trading day as the basis for determining the base price, it shall determine the base price separately on a case-by-case basis.

3. Notwithstanding the provision of Paragraph 1, the Exchange may change the price fluctuation range of bids and offers for all or some of contract months if, after taking into consideration the market conditions of government bonds, etc., it deems that the trading in the government bond futures contract is, or is likely to be, in an unusual situation.

Rule 10. Price Fluctuation Range of Bids and Offers in Inter-month Spread Trading

1. The price fluctuation range of bids and offers in inter-month spread trading as prescribed in Rule 7, Paragraph 5 of the Special Regulations of Government Bond Futures as applied with the rewording pursuant to Rule 7, Paragraph 6 shall be six (6) yen.

2. The base price for the price fluctuation range of bids and offers as prescribed in the preceding paragraph shall be the final contract spread price (including the final special quote spread price) of the inter-month spread trading on the preceding trading day: provided, however, that if there is no contract spread price (including special quote spread price indicated pursuant to the provisions of Rule 8, Paragraph 1, Item (3) through Item (5) as applied with the rewording pursuant to Rule 8, Paragraph 2) on the preceding trading day, the base price shall

be determined by the Exchange on a case by case basis.

3. The provision of Paragraph 3 of the preceding rule shall apply mutatis mutandis to the price fluctuation range of bids and offers in inter-month spread trading.

Rule 11. Cases When Temporary Suspension of Trading is not Effectuated

The circumstances as determined by the Exchange in which the Exchange will not temporarily halt the trading as prescribed in the proviso clause of Rule 11, Paragraph 1 of the Special Regulations of Government Bond Futures shall be the circumstances prescribed in each of the following items.

(1) When after large transactions have been temporarily suspended for reason of the condition prescribed in Rule 11, Paragraph 1, Item (1) of the Special Regulations of Government Bond Futures being met, the same condition is met again for said large transactions before the close of the afternoon trading session on the same trading day; or when after large transactions have been temporarily suspended for reason of the condition prescribed in Rule 11, Paragraph 1, Item (2) thereof being met, the same condition is met again for said large transactions before the close of the afternoon trading session on the same trading day.

(2) When the condition prescribed in Rule 11, Paragraph 1, Item (1) or Item (2) of the Special Regulations of Government Bond Futures is met during the time period from 2:35 p.m. until the close of the afternoon trading session.

Rule 12. Temporary Suspension of Trading

1. The time period determined by the Exchange as prescribed by Rule 11, Paragraph 1 of the Special Regulations of Government Bond Futures shall be 15 minutes: provided, however, that when any of the conditions prescribed in each of the Items of the same paragraph is met at or after 10:45 a.m. and 5:45 p.m., such time period shall be until the closing of the morning trading session and the closing of the evening session, respectively.

2. The price determined by the Exchange as the basic price as prescribed in each of the Items of Rule 11, Paragraph 1 of the Special Regulations of Government Bond Futures shall be the base price of the price fluctuation range of bids and offers as prescribed in Rule 9, Paragraph 2.

3. The range of price fluctuation determined by the Exchange as prescribed in each of the Items of Rule 11, Paragraph 1 of the Special Regulations of Government Bond Futures shall be prescribed in each of the following items:

- (1) 2 yen for the standardized mid-term government bond;
- (2) 2 yen for the standardized long-term government bond; and
- (3) 3 yen for the standardized super long-term government bond.

4. Notwithstanding the provision of the preceding paragraph, the Exchange may change the price fluctuation range for all or some of contract months if, after taking into consideration the market conditions of government bonds, etc., it deems that the trading in the government bond futures contract is, or is likely to be, in an unusual situation.

Rule 13. Suspension of Trading

Suspension of trading in the cases enumerated in each of the Items of Rule 12 of the Special Regulations of Government Bond Futures shall be effective for a period deemed necessary by the Exchange on a case by case basis.

Rule 14. Application for Approval of Transactions for Correcting Errors, etc.

A trading participant who intends to receive the approval of the Exchange pursuant to the provisions of Rule 16 of the Special Regulations of Government Bond Futures shall make an application in a form predetermined by the Exchange.

Rule 14-2. Final Settlement Prices for Mini Transactions

The final settlement prices determined by the Exchange as prescribed in Rule 25 of the Special Regulations of Government Bond Futures shall be as specified in each of the following items.

(1) On the following day of the day when the last trading day of a mini transaction in a contract month ends, in the event that there is a quote for a large transaction in a contract month in which said contract month and the month including the last trading day are regarded as the same (meaning a quote which is displayed pursuant to the provisions of Rule 8, Paragraph 1, Items 3 to 5; the same shall apply hereinafter), the final settlement price shall be the last displayed quote.

(2) On the following day of the day when the last trading day of a mini transaction in a contract month ends, in the event that there is no quote specified in the preceding item, the final settlement price shall be the immediately preceding execution price of a large transaction in a contract month in which said contract month in the evening session of the previous day and the month including the last trading day are regarded as the same.

(3) In the event that there is no quote specified in Item 1 and execution price specified in the preceding item, the final settlement price shall be settlement price of a large transaction in a contract month in which said contract month of the transaction on the day when the last trading day of a mini transaction in a contract month and the month including the last trading day are regarded as the same.

Rule 15. Timing of Execution of the Government Bond Futures Contract Resulting from Exercise

The time fixed by the Exchange as prescribed in Rule 17 of the Special Regulations of Government Bond Futures shall be the closing of the trading day.

Rule 15-2. Trading Volume of Government Bond Futures Executed by Strategy Transactions

1. Trading volume of government bond futures transactions executed pursuant to the provisions of Rule 13, Paragraph 1 of the Special Regulations of Government Bond Futures shall be a quantity obtained by deducting the quantity referenced in Item 2 from the quantity referenced in Item 1.

(1) An quantity (see Note 1 below) obtained by multiplying the volume of quotes immediately before the execution of strategy transactions by the delta value that the trading participant (see Note 2 below) set as a condition when said participant conducts strategy transactions

(Note 1) The quantity is rounded if a numerical value of decimals occurs.

(Note 2) It is the trading participant referenced in Rule 3-2, Paragraph 1, Item 4 of the Enforcement Rules for Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Options Contact on Government Bond Futures (hereinafter referred to as the "Enforcement Rules for Special Regulations of Government Bond Futures Options")

(2) A quantity (see Note 3 below) obtained by multiplying the volume of said quotes immediately after the execution of strategy transactions by the delta value that the trading participant (see Note 4 below) set as a condition when said participant conducted strategy transactions.

(Note 3) The quantity is rounded if a numerical value of decimals occurs.

(Note 4) It is the trading participant referenced in Rule 3-2, Paragraph 1, Item 4 of the Enforcement Rules for Special Regulations of Government Bond Futures Options.

2. If the trading volume calculated pursuant to the preceding paragraph is zero (0), no government bond futures transaction is executed.

3. The price of the government bond futures transaction executed pursuant to the provision of Rule 13, Paragraph 1 of the Special Regulations of Government Bond Futures.

Rule 16. Amount Corresponding to Amount of Tax Deducted in Calculation of Accrued Interest

An amount set forth by the Exchange as an amount corresponding to an amount of tax as prescribed in Rule 23, Paragraph 2 of the Special Regulations of Government Bond Futures shall be an total amount (rounding down a fraction less than one (1) yen) produced by multiplying an amount calculated as a product of the total face value and the coupon rate of the government bond by 20/100.

Rule 17. Matters Concerning Give-up

An executing trading participant and a clearing trading participant shall obtain the material (including electronic records) describing the details of the completed give-up from the system designated by the Exchange and keep it for a period of ten (10) years starting on the ending day of the trading day on which the give-up was completed.

Rule 18. Give-Up Notification Deadline

The notification as prescribed in Rule 25, Paragraph 1 of the Special Regulations of Government Bond Futures shall be made by 4:15 p.m. of the ending day of the trading day on which the government bond futures contract pertaining to the give-up was executed: provided, however, that in cases when the Exchange deems it necessary, it may change the said deadline.

Rule 19. Take-Up Notification Deadline

The notification as prescribed in Rule 26, Paragraph 1 of the Special Regulations of Government Bond Futures shall be made by 4:30 p.m. of the ending day of the trading day on which the government bond futures contract pertaining to the give-up was executed: provided, however, that in cases when the Exchange deems it necessary, it may change the said deadline.

Rule 20. Handling of the Reporting of Particulars of Positions

1. The trading day determined by the Exchange as prescribed in Rule 40 of the Special Regulations of Government Bond Futures shall be the trading day ending on every Friday (to be moved up if the day falls on a holiday) until the last day of the month immediately preceding the month to which the last trading day of the contract month pertains and every trading day falling in the period from the trading day ending on the first day (to be moved down if the day falls on a holiday) of the month to which the last trading day pertains until the last trading day.

2. The amount subject to reporting determined by the Exchange for each issue as prescribed in Rule 40 of the Special Regulations of Government Bond Futures shall be prescribed in each of the following items:

- (1) amount equal to 500 times the unit of trading for the standardized mid-term government bond;
- (2) amount equal to 1,000 times the unit of trading for the standardized long-term government bond; and
- (3) amount equal to 500 times the unit of trading for the standardized super long-term government bond.

3. The reporting as prescribed in Rule 40 of the Special Regulations of Government Bond Futures shall be made in a form predetermined by the Exchange by noon of the day (to be moved down if the day falls on a holiday) following the ending day of the trading day as prescribed in Paragraph 1.

Rule 21. Matters to be Reported Concerning Trading Participant's Terminal of the

Electronic Trading Systems

1. Reporting pursuant to Rule 43-2, Paragraph 3 of the Special Regulations of Government Bond Futures shall be made on matters enumerated in each of the following items concerning trading participant's terminal of the electronic trading systems, when the Exchange deems it necessary:

- (1) Matters concerning the number of orders;
- (2) Matters concerning the number of orders that can be placed;
- (3) Schedule of change in the number of the orders prescribed in the preceding item; and
- (4) Matters deemed necessary by the Exchange for the purpose of the market operation other than those referenced in each of the preceding items.

2. When the Exchange requests explanation on a report made pursuant to Rule 43-2, Paragraph 3 of the Special Regulations of Government Bond Futures, deeming it necessary for the stable operation of trading systems, trading participants shall cooperate with this.

Rule 22. Application to Brokerage for Clearing of Securities, etc.

The provisions of these Rules shall be applied to the brokerage for clearing of securities, etc., pertaining to the government bond futures contract by regarding a trading participant that entrusts the brokerage for clearing of securities, etc., as an entity that executes such government bond futures contract.