

**Special Regulations of Business Regulations and Brokerage Agreement
Standards Concerning Government Bond Futures Contract**
(as of April 1, 2010)

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 those based on brokerage for clearing of securities, etc.), etc.

2. Matters that are not prescribed in these Regulations shall be subject to the provisions of the applicable 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 Regulations shall be subject to those of the terms pertaining to the method of concluding trading contracts of securities, and shall be subject to the provisions of each Rule in addition to the provisions of the following Items.

(1) The term "trading day" shall mean the period between the opening time of the evening session on a day (excluding holidays) prescribed in the provisions of Rule 4, Paragraph 1, Item 3 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).
- (2) In large transactions, the term “sale” shall mean a contract where the party will deliver a government bond, while the term “purchase” shall mean a contract where the party will receive a delivery of a government bond.
 - (3) In mini transactions, the term "sale" mean 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 execution price (meaning a numerical value of execution in advance concluded by the party. The term “purchase” shall mean a contract in which the party will receive money if the actual price exceeds the execution 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” shall mean 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 contract.
 - (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 Regulations with respect to the options contract on the government bond futures (meaning the contract pertaining to government bond futures contracts, out of the contracts referenced in Article 2, Paragraph 21, Item 3 of the Act; the same shall apply hereinafter) shall be as prescribed 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 Bond for Government Bond)

The conditions for standardized Government Bond for large transactions shall be as prescribed in each of the following items on an issue-by-issue basis.

- (1) For the standardized medium-term government bond: 100-yen face value, 3%

- interest rate per annum, and 5-year maturity period.
- (2) For the standardized long-term government bond: 100-yen face value, 6% interest rate per annum, and 10-year maturity period.
 - (3) For the standardized super long-term government bond: 100-yen face value, 6% interest rate per annum, and 20-year maturity period.

Rule 2-2. (Object to be traded in mini transactions)

Objects to be traded in mini transactions shall be prices of the standardized long-term government bond

Rule 3. (Contract months and the 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, or December 20th.
- (2) For large 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 terminates.

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 by, and trading in a new contract month shall begin at 8:20 a.m. on the day following a 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 earlier than the other (hereinafter referred to as "the nearer contract month") from the price of the other contract month whose last trading day comes later (hereinafter referred to as "the farther 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 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" shall mean 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" shall mean 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

Rule 4. (Division of trading sessions and trading hours)

1. The trading session of the government bond futures contract 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 of that effect in advance.

3. Neither trading in nor any other operations of the government bond futures contract shall be conducted on a holiday.

Rule 4-2. (Temporary halt and temporary operation of trading sessions)

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

Rule 4-3. (Notification of temporary halt and temporary operation of trading sessions)

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

Rule 4-4. (Trading by electronic systems)

Trading in the government bond futures contract shall be effected by the electronic trading systems.

Rule 5. (Priority of orders during auction trading)

1. The auction trading shall effect transactions in the government bond futures contract.

2. The priority among orders of the government bond futures contract during the auction trading shall be determined subject to the provisions of each of the following Items.

- (1) The lower offer price shall take priority over other higher offer prices, and the higher bid price shall take priority over other lower bid prices.
- (2) Where two or more orders are made at the same price:
 - a. The order placed earliest shall take priority over other orders placed later;
 - b. In the case where orders are made simultaneously, or there is a difficulty in determining the time priority of orders being placed, such priority shall be determined by the Exchange.
- (3) A market order shall take priority over other bids and offers in terms of price, and every market order shall receive the same priority.

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 pursuant to other rules of the Exchange shall be regarded as having been made simultaneously.

4. A market order which reaches the limit of the range of price fluctuation at the time of the closing of the afternoon session shall become a bid or offer with such ceiling price pursuant to Rule 7, Paragraph 5 as prescribed hereinafter. 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 read as “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 read as “contract spread price” and “inter-month spread trading,” respectively.

Rule 6. (Individual auctions)

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

2. Transactions on an individual auction basis in the government bond futures transactions shall be carried out 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 through competitions among sellers or buyers, or between sellers and buyers, except the cases that determine the contract price set forth 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 bids and offers 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 complying with all the conditions and terms prescribed in the following items, through the competitions among sellers or buyers, or between sellers and buyers. Consequently, transactions 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 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 complying with all the conditions and terms prescribed in the following items excluding Item (3), Sub-item b, through the competitions among sellers or buyers, or between sellers and buyers. 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 the contract price, and
- (3) The following amount of limit orders to sell or buy at the contract price:
 - a. the entire amount of either selling orders or buying orders; and
 - b. the amount of orders on the other side determined separately by the Exchange

4. In such instances as prescribed in the provisions of 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 the 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 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 range of price fluctuation determined by the Exchange based on the latest contract price (or the special quote when such quote is indicated pursuant to the provisions prescribed by the Exchange).

6. In applying the provisions of the above Paragraphs 2 through 4 to the Inter-month Spread Trading, the term “in each of the following Items” in Paragraph 2 shall be read as “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 read as “contract spread price” and “spread price” respectively; the terms “offer” and “bid” in Paragraphs 2 through 4 shall be read as “spread offer” and “spread bid” respectively; the term “Paragraph 2 of the preceding rule” in Paragraphs 2 and 3 shall be read as “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 read as “inter-month spread trading”; the term “in each Item of the preceding paragraph” in Paragraph 3 shall be read as “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 read as “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. A contract price of a purchase or sale in each contract month at the time of the consummation of the inter-month spread transaction shall be a price prescribed in each of the following Items in accordance with the classification of contract months set forth in each of such Items.

(1) The nearer contract month

The latest contract price (or the special quote when such special quote is indicated pursuant to the provisions prescribed by the Exchange) 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 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 range of price fluctuation of the farther contract month prescribed in the provisions of Rule 7, Paragraph 5, the contract price shall be a price prescribed in each of the following items in accordance with the classification of contract months set forth 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 fluctuation 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 fluctuation range of the farther contract month prescribed in the provisions of Rule 7, Paragraph 5, the lower limit of the price fluctuation range shall be adopted.

Rule 6-3. (Cancellation of executed transactions)

1. In cases where the Exchange considers that conducting smooth settlement of executed 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 executed transactions.

2. In cases where the executed 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 executed transactions on a case-by-case basis.

3. When the Exchange cancels the executed 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 executed 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 becomes obvious 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 executed 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 becomes obvious 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 transaction in the government bond futures contract. In this instance, 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 the government bond futures contract shall be made through the trading participant's terminal by inputting such bids or offers using the electronic trading systems.

3. The minimum variation of bids and offers in the government bond futures contract 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 face value of 100 yen
- (2) Mini transactions
 5/1000

4. Bids and offers in large transactions shall be made ex-coupon.

5. No bids and offers shall be made beyond or below the limit of the price fluctuation range prescribed by the Exchange.

6. In applying the provisions of the preceding Paragraph to inter-month spread trading, the term "price" shall be read as "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 the government bond futures contract shall be prescribed by the

Exchange separately.

Rule 8. (Unit of trading)

1. The unit of large transactions shall be 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 transaction has been executed in the government bond futures contract, publicly announce the contract price (or the contract spread price and the contract price in the case of the inter-month spread trading) pursuant to the provisions prescribed by the Exchange.

Rule 10. (Reporting and confirmation of transactions)

1. The Exchange shall, when a transaction has been executed in the government bond futures contract, immediately report the particulars of the transaction through the electronic 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 the government bond futures contract through the trading participant's terminal using the electronic trading systems, immediately confirm the particulars of such transaction.

Rule 11. (Temporary halt of trading)

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 halt 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 halt shall be exercised.
 - (2) When the latest contract price rises above the price that the Exchange stated as a

standard price exceeding the limit of price range, a temporary trading suspension shall be exercised.

2. In the event that the Exchange has temporarily suspended large transactions for the standardized long-term government bond pursuant to the preceding paragraph, the Exchange shall temporarily suspend mini transactions during a period of the temporary suspension of said large transactions.

Rule 12. (Suspension of trading)

The Exchange may suspend the trading in government bond futures contract 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 situation of trading in the government bond futures contract, or deems that the prosecution of trading operation is inappropriate for the administrative reasons;
- (2) When the Exchange deems that it is difficult to prosecute the trading operation due to the problems of its trading systems.

Section 3 Government Bond Futures Contract to be Concluded by Strategy Transactions

Rule 13

1. A government bond futures contract eligible for strategy transactions (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 transactions through a trading method other than 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 the government bond futures contract eligible for strategy transactions, other than the matters in the preceding paragraph, shall be set forth by the Exchange.

Rules 14 and 15 Deleted

Section 3-2. 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 market of the Exchange, 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 contra party 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 Paragraphs 1 and 2 to the inter-month spread trading, "sale" and "purchase" in Paragraph 2, and "price" in Paragraph 1 shall be read as "a sale of the nearer contract month and a purchase of the farther contract month," "a purchase of the nearer contract month and a sale of the farther contract month" and "a spread price" respectively.

Section 4. Transaction Contract in Government Bond Futures Contract Resulting from Exercise

Rule 17. (Transaction contract in government bond futures contract resulting from exercise)

When a trading participant has given notice of an exercise of an option on the government bond futures contract, 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 transaction contract in the government bond futures contract shall be made at such time.

Section 5. Settlement by Delivery 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"))) for which no offsetting purchase transaction (meaning a transaction that offsets a short position; the same shall apply hereinafter) was made 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) for which no offsetting sale transaction (meaning a transaction that offsets a long position; the same shall apply hereinafter) was made 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 trade value and delivery/receipt of 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 delivery between a customer and a trading participant, such government bonds as set forth in each of the following Items (hereinafter referred to as “deliverable bonds”) shall be treated as deliverable items.

- (1) For the standardized mid-term government bond, 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 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 delivery falls.
- (2) For the standardized long-term government bond, 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 delivery falls.
- (3) For the standardized super long-term government bond, 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 delivery falls.

Rule 20. (Computation of conversion factors between deliverable bonds and standardized instrument)

The conversion factors between deliverable bonds and the standardized instrument shall be computed in accordance with the attached “Table for Computation of Conversion Factors

between Deliverable Bonds and Standardized Government Bonds”.

Rule 21. (Delivery price)

The price used as a basis for computation of the amount of the trade value to be paid/received for settlement by delivery (hereinafter referred to as “delivery 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 the government bond futures contract) on the last trading day for the contract month.

Rule 22. (Method of computation of the amount of trade value)

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

Rule 23. (Treatment of accrued interest in settlement by delivery)

1. For the purpose of settlement by delivery, an amount obtained by computing for each deliverable bond the product of the total amount of face value of government bonds 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 delivery (hereinafter referred to as “accrued interest”) shall be added to the amount of trade value computed pursuant to the provisions of the preceding Rule. However, if the date of settlement by delivery falls on a coupon payment date of the deliverable bond, such accrual interest shall not be added to the amount of trade value.

2. Accrued interest as 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 a day following the day of determining the final settlement price 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

the first execution price in the trading session pertaining to large transactions in a contract month (see Note below) for the standardized 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 execution price on a day after the day on which the last trading day of said large transactions in a contract month, the Exchange specifies the price.

Section 7. Give-Up

Rule 26. (Give-up)

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

2. “Give-up” shall mean that a trading participant makes a sale or purchase transaction in the government bond futures contract to be extinguished, 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” shall mean a trading participant who effects a sale or purchase transaction in the government bond futures contract that is to be extinguished as a result of the completion of the give-up.

4. An “clearing trading participant” shall mean another trading participant (or a designated clearing participant designated by such another trading participant for its own account) who takes up the newly created sale or purchase transaction in the government bond futures contract as a result of the completion 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 the government bond futures contract, it shall notify the Exchange of its intension of give-up, as well as the particulars 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 time determined by the Exchange.

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 of 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 prescribed in each of the following Items by the time determined by the Exchange.

- (1) Notification of approval, 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 time 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 the 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 of that effect.

Rule 29. (Completion of give-up)

When the Exchange receives the notification prescribed in the Item (1) of the preceding Paragraph 1, the give-up shall be completed.

Sections 8 and 9 Deleted

Rules 30 through 39 Deleted

Section 10. Miscellaneous Provisions

Rule 40. (Reporting of particulars of positions)

A trading participant shall, 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 prescribed by the Exchange for each issue, report the particulars thereof to the Exchange in accordance with the provisions prescribed by the Exchange.

Rule 41. Deleted

Rule 42. (Reporting to customers concerning government bond futures contracts)

1. A trading participant shall every month 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; provided, however, that the same shall not apply in such case where a customer is a financial instruments firm as a member of the Japan Securities Dealers Association.

2. The report prescribed in the provisions of the preceding paragraph shall state the name of the issue, the contract month, whether the transaction is a sale or purchase, the face value of the transaction (in the case of mini transactions, the number of traded contracts), the contract price, the execution date (the ending day of the trading 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 the electronic means. This “electronic means” shall mean the use of electronic information processing facilities or any other communications technologies prescribed in Article 56 of the Cabinet Office Ordinance

on the Financial Instruments Business (Cabinet Office Ordinance No. 52 in 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 read as “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 electronic means including its type and particulars to the customer in advance and obtain the customer’s approval in writing or through the electronic means. In this instance, it shall be considered that the trading participant has sent the report.

4. The trading participant who obtained an 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 the electronic means, if the customer has instructed in writing or through the electronic means not to send such information using any electronic 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 actions concerning trading in government bond futures contract in the Exchange market or acceptance of customer’s orders therefor)

In the event that the Exchange deems that the trading in the government bond futures contract in the market of the Exchange is, or is likely to be, in an unusual situation, the Exchange may take any necessary action(s) of the regulatory actions prescribed by the Exchange in its order rules, with respect to the trading in the government bond futures contract in the market of the Exchange or acceptance of customers’ orders therefor.

Rule 43-2. (Method of trading etc., in government bond futures contract in the Exchange market)

1. A trading participant shall effect the trading in the government bond futures transactions in the market of the Exchange by using the trading participant’s electronic terminals or otherwise 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 electronic 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 the government bond futures contract in the market of the Exchange, 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 the government bond futures contract, 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 the government bond futures contract, 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 electronic trading system)

1. In the event that any troubles in operation of the electronic trading system take place, and if the Exchange deems it necessary, the trading in the government bond futures contract may be effected temporarily by other means than the electronic trading system.

2. A trading participant that finds it difficult to make bids and offers due to any troubles in operation of the electronic trading system or other unavoidable circumstances (hereinafter referred to as “trading participant in system troubles”) may make bids and offers through other trading participant(s) (hereinafter referred to as “acting trading participant(s)”) with a prior approval of such other trading participant(s) and the Exchange. In this instance, when a transaction in the government bond futures contract has been executed at a bid or an offer so made, such trading participant in system troubles and such acting trading participant(s) shall notify the Exchange of particulars of this transaction in accordance with the provisions prescribed by the Exchange.

3. Matters necessary for the trading in the government bond futures contract 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. (Replacement reading of Business Regulations)

In applying the provisions of Rule 74 through 76, and Rule 77-2 of the Business Regulations to the government bond futures contract, the term “... of the daily aggregate

trading volume etc. in the market of the Exchange” in Rule 74 shall be read as “... of the aggregate trading volume etc. on every Trading Day in the market of the Exchange”; the term “... of the daily market Trading Volume data etc. of the market of the Exchange” in Rule 75 shall be read as “... of the market Trading Volume data etc. on every Trading Day of the market of the Exchange”; and the term “trading participant” in Rule 76 and Rule 77-2 shall be read as “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 Contract

Rule 46. (Submission of agreement for establishment of Futures/Options Trading Account)

1. A customer who wishes to entrust a transaction in the government bond futures contract 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 transaction in the government bond futures contract 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 an 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 specific form designated by the Exchange, affix his/her signature or put his/her seal on it, and submit it to the trading participant.

5. A customer may, instead of the submission of the agreement form prescribed in the preceding Paragraph, notify the trading participant of the acceptance of the

agreement through the electronic means, if the trading participant explains the customer the type and particulars of such electronic 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 the Financial Instruments Business; the same shall apply hereinafter) and the customer accepts the use of such electronic means and gives its approval to the trading participant in writing or through the electronic means. In this instance, it shall be considered that the customer has submitted the agreement form to the trading participant.

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

Rule 46-2. (Conclusion of give-up agreement)

1. In the event that a customer wishes to entrust a transaction in the government bond futures contract pertaining to the give-up, the customer shall execute 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.
- (2) Handling of cases when the give-up fails to be executed.

3. Notwithstanding the provisions of the preceding Paragraph 1, when a customer wishes to entrust a transaction in the government bond futures contract 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 finalized 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 Paragraph 1 and 2.

4. Notwithstanding the preceding Paragraphs 1 and 3, when a customer of the

executing trading participant wishes to entrust a transaction in the government bond futures contract 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 give-up 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 finalized 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 Paragraphs 1, 3 or 4, the executing trading participant or the clearing trading participant shall be entitled to the entrustment of the transaction in the government bond futures contract pertaining to the give-up.

Rule 46-3. (Notification matters by customers)

In the event that a customer entrusts a transaction in the government bond futures contract, the customer shall make prior notification concerning matters prescribed in 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 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)

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

- (1) the name of issue and contract month;
- (2) whether it is a sale or purchase to initiate a new position, or a sale for offset or purchase for offset;
- (3) in case of an inter-month spread transaction, notice to that effect;
- (4) contract amount;
- (5) the limit of price fluctuation range (or the limit of spread price fluctuation range

- in case of an inter-month spread transaction);
- (6) Delta value in the case of intention to conduct the transaction by strategy trading
- (7) trading session; and
- (8) effective period of an 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 agreed to effect transactions in accordance with the procedures instructed by the customer in advance. In this instance, 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 time designated by its trading participant but not later than the ending time of 4:30 p.m. of the trading day on which the contract was executed. In this instance, 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 order.

Rule 47-2. (Instructions at the time of entrustment relevant to give-up)

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

- (1) The transaction in the government bond futures contract is pertaining 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 new transaction of 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 time designated by its executing trading participant but not later than the ending time of 4:00 p.m. of the trading day on which the contract pertaining to the give-up was executed.

Rule 47-3. (Effectiveness of orders placed by customers at resumption of suspended trading)

An order placed by a customer shall remain effective during the effective period instructed by the customer in accordance with the provisions prescribed in the preceding Rules 47 and 47-2, even in the event that the Exchange has suspended trading in the government bond futures contract; provided, however, that the same shall not apply when the customer has given an instruction that such order should lose effectiveness in the case of suspension of trading.

Rule 47-4. (Effectiveness of entrustment at the completion of give-up)

In the event that the give-up of the sale or purchase transaction in the government bond futures contract has finalized, 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 the government bond futures contract as a result of the completion of the give-up.

Rule 47-5. (Instructions on sale or purchase for offset 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 the government bond futures contract has finalized, 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 time designated by the clearing trading participant but not later than the ending time of 4:30 p.m. of the trading day on which the contract pertaining to the give-up was executed. In this instance, 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 order.

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

Rule 47-6. (Instructions at the time of transaction contract in government bond futures contract resulting from exercise)

1. A customer who has entrusted with a trading participant an exercise of an option on the government bond futures contract 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 transaction in each contract month in the government bond futures contract resulting from the exercise.

2. The provisions prescribed in the preceding Paragraph 2 of Rule 47 shall be applied mutatis mutandis to the instructions prescribed in Paragraph 1, Item (2) of the same Rule pertaining to the transaction contract in government bond futures contract resulting from exercise.

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 Rule 47, Paragraph 1, Item (2) pertaining to the transaction contract in government bond futures contract resulting from exercise by the time designated by its trading participant but not later than 8:20 a.m. on the day immediately following the trading day on which the contract was executed. In this instance, 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 order.

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").

Rule 49 through 54 Deleted

Section 3. Settlement by Delivery, Final Settlement, etc.

Rule 55. (Money to be paid/received for settlement)

1. The amount of money (excluding the amount of the trade value computed pursuant to the provisions of Rule 61, in case a customer effects settlement by delivery) 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 sale or purchase for offset, 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 sale or purchase for offset

and the contract price of the sale or purchase for offset by one million (1,000,000) yen; or, if the customer intends to conduct the settlement by delivery, 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 price (meaning the price used as a basis for computation of the amount of the trade value to be paid/received for settlement by delivery; the same shall apply hereinafter) by one million (1,000,000) yen.

2. The amount of money to be paid/received between the customer and the trading participant for settlement of a mini transaction shall be the amount equivalent to a difference between the following A and B where the customer settles the mini transaction by resale or repurchase. Said amount of money shall be the amount equivalent to a difference between the following C and D where an unsettled contract based on entrustment from the customer is settled by the final settlement:

- A: The execution price pertaining to unsettled contracts based on entrustment from the customer which correspond to the resale or repurchase;
- B: The execution price pertaining to said resale or repurchase
- C: The execution 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 contract, the customer shall pay to the trading participant the amount of money equivalent to the amount of such loss. In this instance, if the customer intends to conduct the settlement by effecting the sale or purchase for offset, such payment shall be made by the time and date designated by the trading participant but not later than the next day after the ending day of the trading day on which the sale or purchase transaction for offset was executed; 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 ending day of the trading day. If the customer intends to conduct the settlement by delivery for large transactions, such payment shall be made by the time and date designated by the trading participant but not later than the next day after the ending day of the last trading day (or the second day after the ending day of 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 its 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 deposited therewith by a customer as of the day on which the customer should make payment to the trading participant for the settlement or the amount of money equivalent to the customer's unrealized gain prescribed in the Margin Rules to 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 set forth in each of the following Items shall be treated as deliverable items.

- (1) For the standardized mid-term government bond, 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 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 delivery falls.
- (2) For the standardized long-term government bond, 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 delivery falls.
- (3) For the standardized super long-term government bond, 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 delivery falls.

Rule 59. (Computation of conversion factors between deliverable bonds and standardized instrument)

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

Rule 60. (Treatment of accrued interest in settlement by delivery)

1. In cases that a customer effects delivery settlement of of large transactions, accrued interest shall be subject to either taxable treatment or non-taxable treatment in accordance with reporting from customers; provided that of those customers who have reported as non-taxable treatment, such customers as designated by the Clearing Corporation shall be treated as taxable for all or part of their accrued interest.

2. A customer shall report 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 trade value)

1. The amount of trade value to be paid/received between a customer and a trading participant for delivery settlement of large transactions shall be the amount obtained by multiplying the product of the delivery 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 “selling customer”) or the deliverable bond designated by the trading participant for each customer who entrusted the purchase transaction (hereinafter referred to as “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 delivery settlement shall be added to the amount of trade value computed pursuant to the provisions of the preceding Paragraph.

Rule 62. (Combination of deliverable items)

A selling customer shall be granted an option regarding combination of deliverable items of each deliverable bond in the unit of trading or multiple thereof.

Rule 63. (Notification of delivery items)

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

Rule 64. (Deadline for settlement by delivery by customer)

For delivery settlement of large transactions, a customer shall deliver government bonds he/she/it sold or pay the purchase money to the trading participant by the time and date

designated by the trading participant as necessary for the delivery settlement of large transactions.

Rules 65 and 66 Deleted

Rule 67. (Delivery by book-entry transfer)

When delivery settlement of 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), 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 delivery in the case where accrued interest is determined to be subject to non-taxable treatment pursuant to the provisions of the business conducting method of the Clearing Corporation; the same shall apply hereinafter in this Rule); provided that this provision shall not apply in 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)

Delivery settlement of 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 action in case of customer's settlement failure)

1. In the event that a customer fails to pay for or deposit the margin required, or fails to pay any amount of money payable to a trading participant, deliver thereto government bonds he/she sold, or pay thereto purchase money with respect to a government bond futures contract by the prescribed deadline (including the time and date designated as necessary by the trading participant in consideration of smooth settlement of the government bond futures contract by delivery 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 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 any deficit still remains, the trading participant may claim the payment for such deficit from the customer.

Section 4. Transfer etc. of Unsettled Contracts

Rule 71-2. (Handling of customers' unsettled contracts)

Matters concerning transfer, etc., of customers' unsettled contracts shall be subject to the Margin Rules.

Section 5. Miscellaneous Provisions

Rule 72. (Payment and receipt of money in foreign currency)

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

Rule 72-2. (Effectiveness of cancellation of transaction)

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 becomes obvious that the trading participant placed such an erroneous order intentionally or by 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 becomes obvious that such damage or loss was caused by the Exchange intentionally or by gross negligence of the Exchange.

Rule 73. (Rewording of Brokerage Agreement Standards)

In applying the provisions prescribed in Rule 2 of the Brokerage Agreement Standards to the government bond futures contract, the term "trading participant (meaning a General Trading Participant of the Exchange; the same shall apply hereinafter)" in the same Rule shall be read as "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 brokerage for clearing of securities, etc.)

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

Attachment

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

$$\text{Conversion factor} = \frac{\frac{\text{Yearly interest of deliverable bond}}{x} \times \left\{ \left(1 + \frac{x}{2} \right)^{\left(\frac{\text{No. of interest payments after date of settlement by delivery of deliverable bond}}{6} \right) - 1 \right\} + 100}{\left(1 + \frac{x}{2} \right)^{\left(\frac{\text{Remaining maturity period on date of deliv. settlement}}{6} \right)} \times 100}$$

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

(Note)

1. "x" in this table shall be specified as follows for each type of standardized government bonds.
 - (1) Standardized medium-term government bond: 0.03
 - (2) Standardized long-term government bond: 0.06
 - (3) Standardized super long-term government bond: 0.06
2. The remaining maturity period on the date of settlement by delivery of a deliverable bond and a period between the date of settlement by delivery of 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 rounded off.
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 rounded off.
5. In the event that a government bond is delivered/received for delivery settlement before the first interest payment of such bond, when computing conversion factors

for deliverable bonds with a remaining maturity period exceeding ten (10) years in the case of a long-term standardized government bond and conversion factors for deliverable bonds with a remaining maturity period exceeding twenty (20) years in the case of a super long-term standardized government bond, the following phrases in the Table shall be read as follows:

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