

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

Tokyo Stock Exchange, Inc.

**CHAPTER 1
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 in options on government bond futures (hereinafter the "government bond futures options") and acceptance of orders therefor (except those based on brokerage for clearing of securities, 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 2. (Definition of terms pertaining to government bond futures options)

1. In these regulations, the term "government bond futures options" means a contract in which the parties thereto promise that one of the parties grants an option on government bond futures to the other party and the other party pays the consideration for such option.

2. In these regulations, the term "government bond futures option" means a right of the party acquiring the option (see Note 1 below) to execute a transaction pertaining to standardized government bonds as enumerated in Article 2, Paragraph 21, Item 1 of the Financial Instruments and Exchange Act, or a transaction pertaining to the price of such standardized government bonds as referenced in Item 2 of the same paragraph (see Note 2 below) between the parties thereto only by unilateral manifestation of the intention of the party acquiring the option.

(Note 1) Such party means the party who was granted such option in a government bond future.

(Note 2) Such transaction shall be hereinafter referred to as "government bond futures contract".

3. In these regulations, the term "exercise" means exercise of a government bond

futures option(s).

Rule 3. (Definition of terms)

The meanings of terms in these regulations (excluding those terms used in relation to the government bond futures contract) 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” means the period between the opening time of the evening session on a day (except holidays) specified in the provisions of Rule 8, Paragraph 1, Item 3 and 3:10 p.m. of the next day (to be moved down if the day falls on a holiday; the same shall apply hereinafter).
- (2) The term “sale” means a contract where the party will grant a government bond futures option, while the term “purchase” means a contract where the party will acquire a government bond futures option.
- (3) The term “price” means an amount of consideration to be paid for a sale or purchase of a government bond futures option.
- (4) The term “price fluctuation range” means the range of price fluctuations.
- (5) The term “order” means a declaration of intention concerning the limit of the price that will be executed in an government bond futures option, and means the following items from (a) to (c):
 - (a) Limit Order
An order which specifies a price limit
 - (b) Market Order
An order placed during auction hours which does not specify a price limit
 - (c) At-the-Opening-Order
An order placed before the opening of auction trading or before trading resumes after trading of a specified issue has been suspended by the Exchange, which does not specify a price limit, and in cases where the transaction is not executed after a price is decided as prescribed in Rule 13, Paragraph 5 (including when applied with the rewording pursuant to Paragraph 6 thereof), such order will become a limit order limited to such price.
- (6) The term “offer” means an order pertaining to a sale, and the term “bid” means an order pertaining to a purchase.

CHAPTER 2
Special Regulations of Business Regulations

Section 1. Subjects of Contract and Contract Month

Rule 4. (Subjects of contract)

1. The subjects of the government bond futures options shall be the government bond futures options on standardized mid-term government bonds and standardized long-term government bonds described in each of the following items.

(1) Government bond futures options that can execute a sale of government bond futures with a face value of 100 million yen at a price set in advance as a contract price in cases that the option is exercised (see Note 1 below) for any of the contract months designated by the Exchange as contract months that are applicable to transaction contracts in government bond futures contract resulting from exercise (see Notes 2 and 3 below).

(Note 1) Such price shall be hereinafter referred to as “exercise price”.

(Note 2) Such contract month shall be hereinafter referred to as “underlying JGB futures contract month”.

(Note 3) Such government bond futures options shall be hereinafter referred to as “government bond futures put options.”

(2) Government bond futures options that can execute a purchase of government bond futures with a face value of 100 million yen at an exercise price for any of the underlying JGB futures contract month (hereinafter referred to as “government bond futures call options.”)

2. In relation to government bond futures options, the term “issue” means government bond futures put options or government bond futures call options for which the same issue is designated as the subjects of the relevant transaction contract in government bond futures contract resulting from exercise, and that have the same expiration date of the exercise period and exercise price.

Rule 5. (Contract months and number thereof)

1. Transactions in the government bond futures options, with respect to government bond futures put options and government bond futures call options, shall be divided, in accordance with contract month classification for each issue designated as the subjects of the transaction contract in government bond futures contract resulting from exercise, into transactions whose last trading day falls on the last day (see Note 1 below) of each month (see Note 2 below).

(Note 1) Such day shall be moved up if the day falls on a holiday.

(Note 2) Such months shall be hereinafter referred to as “contract months”.

2. For the contract months specified in the preceding paragraph, with respect to those contract months whose last trading day falls in the month immediately preceding March, June, September and December (see Note 3 below), there shall always be two contract months, and the trading period of each of such contract months shall be six months. In such case, the trading in a new quarterly contract month shall begin at 8:20 a.m. on the day following the last trading day that comes earliest among the last trading days of the two quarterly contract months.

(Note 3) Such contract months shall be hereinafter referred to as “quarterly contract months”.

3. For the contract months specified in Paragraph 1, with respect to those contract months other than contract months whose last trading day falls in the month immediately preceding March, June, September and December (see Note 4 below), the trading period of each of such contract months shall be two months. In such case, the trading in a new contract month shall begin at 8:20 a.m. on the first day (see Note 5 below) of the month immediately preceding the month to which the last trading day of the relevant contract month pertains.

(Note 4) Such contract months shall be hereinafter referred to as “contract months other than quarterly contract months”.

(Note 5) Such day shall be moved down if the day falls on a holiday; the same shall apply hereinafter.

4. Notwithstanding the provisions of Paragraphs 1 through 3 above, in cases where 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 6. (Underlying JGB futures contract month)

Transactions in the government bond futures options shall be executed with respect to a contract month of the government bond futures contract with the earliest date of settlement by delivery after the last trading day of each contract month as the underlying JGB futures contract month.

Rule 7. (Exercise prices and number thereof)

1. Transactions in the government bond futures options, either with respect to government bond futures put options and government bond futures call options, shall be divided into transactions with different exercise prices set for each contract month.

2. Exercise prices as prescribed in the preceding paragraph shall be set for each category of contract months as specified in each of the following items on the initial

trading day of the relevant contract month in accordance with the method prescribed therein. However, in cases where the Exchange deems it necessary, the Exchange may change the specific levels of exercise prices that it sets and the number thereof.

(1) Quarterly contract month

With respect to issues designated as the subjects of the transaction contract in a government bond futures contract resulting from exercise, eleven exercise prices shall be set for a face value of 100 yen as an integral multiple of one yen at one yen intervals pursuant to the provisions specified by the Exchange.

(2) Contract months other than quarterly contract months

With respect to issues designated as the subjects of the transaction contract in a government bond futures contract resulting from exercise, nineteen exercise prices shall be set for a face value of 100 yen as an integral multiple of 50/100 yen at 50/100 yen intervals pursuant to the provisions specified by the Exchange.

3. For the purpose of setting exercise prices for the contract months as set forth in Item 1 of the preceding paragraph, with respect to issues designated as the subjects of the transaction contract in government bond futures contract resulting from exercise, exercise prices shall be set, on the first day of the month immediately preceding the month to which the last trading day of the relevant contract month pertains, for a face value of 100 yen as an integral multiple of 50/100 yen at 50/100 yen intervals so that there will be not less than nineteen consecutive exercise prices pursuant to the provisions specified by the Exchange. However, in cases where the Exchange deems it necessary, the Exchange may change the specific levels of exercise prices that it sets and the number thereof.

4. In addition to the provisions of the preceding two paragraphs, the Exchange may set new exercise prices for all or some of contract months pursuant to the provisions specified by the Exchange.

Rule 7-2. (Strategy Trading)

1. A trading participant (see Note 1 below) may conduct the transactions provided in each of the following items (see Note 2 below):

(Note 1) Such trading participant means a general trading participant as prescribed in Rule 2, Paragraph 2 of the Trading Participant Regulations, or a government bond futures, etc. trading participant as prescribed in Paragraph 3 of the same rule; the same shall apply hereinafter.

(Note 2) Such transactions shall be hereinafter referred to as “strategy trading”.

(1) Transactions which simultaneously execute sales or purchases for multiple issues of government bond futures options which are identical to standardized

- government bonds which are eligible for trading.
- (2) Transactions which execute sales or purchases for a single or multiple issues of government bond futures options which are identical to standardized government bonds eligible for trading and government bond futures transactions conducted under the condition of simultaneously executing sales or purchases (see Note 3 below) for government bond futures transactions (see Note 4 below).
- (Note 3) Such sales or purchases means sales or purchases as prescribed in Rule 1-3, Paragraph 1, Item 2 of the Special Regulations of Business Regulations and Brokerage Agreement Standards Concerning Government Bond Futures Contract (hereinafter referred to as "Special Regulations Concerning Government Bond Futures").
- (Note 4) Such transactions shall be limited to government bond futures transactions specified by the Exchange.
2. Combinations of government bond futures options sales or purchases executed by strategy sale transactions or strategy purchase transactions are specified by the Exchange by each type of strategy trading specified by the Exchange.
3. When conducting a strategy trading, a trading participant shall place a bid/offer using the value obtained through the strategy trading price calculation method specified by the Exchange (hereinafter referred to as "strategy price").
4. When conducting a transaction as provided in Paragraph 1, Item 2, a trading participant must attach the conditions set forth by the Exchange to make bids/offers.
5. Concerning strategy trading, strategy offers refer to offers pertaining to strategy sale transactions, and strategy bids refer to bids pertaining to strategy purchase transactions.

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

Rule 8. (Classification of trading sessions and trading hours)

1. The trading session of the government bond futures options shall be classified into a morning trading session, an afternoon trading session, and an evening trading session, and the trading hours of each session shall be specified 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 options shall be conducted on a holiday.

Rule 9. (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 options on a temporary basis, when deemed necessary.

Rule 10. (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 options, it shall notify the trading participants of that effect in advance.

Rule 11. (Transactions by trading systems)

Transactions in the government bond futures options shall be executed by the trading systems.

Rule 12. (Priority of orders during auction trading)

1. The auction trading shall execute transactions in the government bond futures options.

2. The priority among orders of the government bond futures options 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) Regarding two or more orders made at the same price, the order placed earliest shall take priority over other orders placed later.

(3) A market order shall take priority over other bids and offers in terms of price.

(4) In addition to the three (3) preceding items, the Exchange shall determine matters regarding order priority as needed.

3. Regarding the application of the provisions of the preceding paragraphs in relation to strategy trading, in the preceding paragraphs “price” shall be “strategy price,” “offer” shall be “strategy offer”, and “bid” shall be “strategy bid”.

Rule 13. (Individual auctions)

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

2. Transactions on an individual auction basis for government bond futures options shall be executed by matching each order individually to a contract price in accordance with the priority of orders specified 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 bids and offers, and competitive matching of bids and offers, except for the cases that determine the contract price set forth in each of the following items.

(1) Contract price at opening

(2) Contract price at the time of resumption of trading in a particular issue which has been suspended temporarily pursuant to other rules of the Exchange

3. The contract price mentioned in each item of the preceding paragraph shall be the price specified in the following items according to the classifications provided in such items, through competition among offers (see Note 1 below) and bids (see Note 2 below), and competitive matching of bids and offers. Consequently, transactions shall be carried out by matching each order individually to such price with reference to the priority of orders specified in Paragraph 2 of the preceding rule. However, in cases where the average price provided in Items 1 and 4 will not be an integral multiple of 1/100 yen, the price shall be as provided in the following (i) and (ii):

(Note 1) Such offers shall be limited to limit orders, hereinafter the same in this and following paragraphs.

(Note 2) Such bids shall be limited to limit orders; hereinafter the same in this and following paragraphs.

(i) If such average price is positive, the price shall be the highest integral multiple of 1/100 yen which is lower than such average price

(ii) If such average price is negative, the price shall be the lowest integral multiple of 1/100 yen which is higher than such average price

- (1) When all bids and offers are executed:
The average price between the highest offer and the lowest bid
 - (2) When all bids are executed but a portion of offers are not:
The highest price of executed offers
 - (3) When all offers are executed, but unexecuted bids remain:
The lowest price of executed bids
 - (4) When both unexecuted bids and offers remain:
The average of the prices provided in the following a. and b.:
 - a. The lower price, given the lowest executed bid and the lowest unexecuted offer
 - b. The highest price, given the highest executed offer and the highest unexecuted bid
4. In cases where the contract price is determined pursuant to the preceding paragraph, when an at-the-opening-order for sale or purchase is conducted, and additionally, there are any of the prices in the following items, transactions shall be executed by matching each order individually to a contract price at such value in accordance with the priority of orders; provided, however, that in cases where the value provided in Item 2 will be the price specified in Rule 14, Paragraph 4, such value shall be considered null and the transaction shall not be executed.
- (1) The contract price as specified in each of the items in the preceding paragraph
 - (2) In cases where there are no contract prices as specified in each of the items in the preceding paragraph, the average price of the highest bid and the lowest offer. However, in cases where the average price will not be an integral multiple of 1/100 yen, the price shall be as provided in the following (i) and (ii):
 - (i) If such average price is positive, the price shall be the highest integral multiple of 1/100 yen which is lower than such average price
 - (ii) If such average price is negative, the price shall be the lowest integral multiple of 1/100 yen which is higher than such average price
 - (3) In cases where there are no contract prices as provided in the preceding two(2) items, the price determined by the Exchange.
5. When an at-the-opening-order is not executed according to the preceding paragraph after the value in any of each item of the preceding paragraph is determined, the order shall be a limit order with the price limit set at such values. In cases where

such value does not exist, such order shall lose the effectiveness .

6. Regarding the application of the provisions from Paragraph 2 to the preceding paragraph to strategy trading, from Paragraph 2 to the preceding paragraph, “contract price” shall be read “strategy contract price”; from Paragraphs 2 to 4, “offer” shall be read “strategy offer”, and “bid” shall be read “strategy bid”; in Paragraph 2, Paragraph 3, and the preceding paragraph, “price” shall be read “strategy price”; in Paragraphs 2 and 3, “Paragraph 2 of the preceding rule” shall be read “Paragraph 2 of the preceding rule when applied with the rewording pursuant to Paragraph 3 of the same rule”; in Paragraph 4, “sale” shall be read “strategy sale transaction”, “purchase” shall be read “strategy purchase transaction”; and “Rule 14, Paragraph 4” shall be read “Paragraph 4 of the same rule when applied with the rewording pursuant to the provisions of Rule 14 Paragraph 5”.

7. When strategy trading is executed, the contract price related to the Government Bond Futures Option sale or purchase according to such combination shall be determined by the Exchange based on the strategy trading contract price.

Rule 13-2. (Cancellation of executed transactions)

1. In cases where the Exchange considers that conducting smooth settlement of executed transactions is extremely difficult due to the execution 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 from a trading participant that placed an erroneous order for any damage or loss even if it is incurred by the cancellation of executed transactions by the Exchange in accordance with the provisions of the above Paragraph 1 a ; provided, however, that this shall not apply if it is deemed that the trading participant placed such an erroneous order intentionally or by gross negligence.

5. A trading participant shall not claim compensation from the Exchange for any damage or loss 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 is deemed that such damage or loss was caused intentionally or by gross negligence on the part of the Exchange.

Rule 14. (Bids and offers)

1. A trading participant must make a bid or offer when it is going to execute a transaction in government bond futures options. 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 for government bond futures options shall be made through input into the trading participant's terminal.

3. The minimum variation of bids and offers for government bond futures options shall be 1/100 yen per face value of 100 yen of the underlying issue of the government bond futures options transaction to be executed by exercise.

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

5. Regarding application of the provisions of the previous paragraph for strategy trading, "price" shall be "strategy price".

6. In addition to those specified in these Special Regulations, matters necessary for bids and offers in the government bond futures options shall be prescribed by the Exchange separately.

Rule 14-2. (Implied-In)

1. For strategy trading types specified by the Exchange, the Exchange may handle orders which combine orders for government bond futures options transactions eligible for strategy trading as orders which match such strategy trading orders; provided, however, that the same shall not apply in cases where there was a malfunction in trading system operations, or other cases where the Exchange deems it necessary.

Rule 14-3. (Implied-Out)

1. For strategy trading types specified by the Exchange, the Exchange may handle strategy trading orders as orders for government bond futures options strategy trading

according to the order conditions of such strategy trading or such government bond futures options transactions eligible for strategy trading; provided, however, that the same shall not apply in cases where there was a malfunction in trading system operations, or other cases where the Exchange deems it necessary.

Rule 14-3. (Request for Quote)

1. In cases where a trading participant is going to execute a transaction for government bond futures options and the status of orders is not appropriate to execute such transaction, such trading participant may request a quote for such government bond futures options be displayed by another trading participant during auction trading (hereinafter referred to as “request for quote”).
2. The Exchange may release notification regarding such quote’s existence.
3. In cases where the Exchange deems a trading participant’s request for quote inappropriate, it may halt the display of such quote.
4. In addition to the preceding three (3) paragraphs, any required matters relating to requests for quotes for government bond futures options shall be determined separately by the Exchange.

Rule 15. (Unit of trading)

The minimum unit of trading in the government bond futures options shall be one unit of a government bond futures put option or government bond futures call option.

Rule 16. (Public announcement of contract prices)

The Exchange shall, when a transaction has been executed in the government bond futures options, publicly announce the contract price (for strategy trading, such strategy contract price) pursuant to the provisions prescribed by the Exchange.

Rule 17. (Reporting and confirmation of transactions)

1. The Exchange shall, when a transaction has been executed in the government bond futures options, immediately report the particulars of the transaction through the trading systems to the trading participant who has placed a bid or offer.
2. A trading participant shall, when it has received a transaction report with respect to the government bond futures options through the trading participant’s terminal

using the trading systems, immediately confirm the particulars of such transaction.

Rule 17-2. (Suspension of trading)

In the event that trading of large transactions (see Note below) has been temporarily suspended pursuant to Rule 11, Paragraph 1 of Special Regulations Concerning Government Bond Futures Contracts, the Exchange shall temporarily suspend the trading in the government bond futures options which have the same underlying standardized government bonds as such large transactions for the duration of such suspension.

(Note) Such large transactions shall refer to large transactions as prescribed in Rule 1-2, Paragraph 2 of the Special Regulations Concerning Government Bond Futures Contracts)

Rule 18. (Suspension of trading)

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

Section 3 Deleted

Rules 19 through 28 Deleted

Section 4. Transactions for Error Correction etc.

Rule 29. (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, execute 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

executed 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. For the application of the preceding two (2) paragraphs to strategy trading, "sale" shall be "strategy sale" and "purchase" shall be "strategy purchase" in the preceding two paragraphs. "Price" shall be "strategy price" for Paragraph 1.

Section 5. Exercise

Rule 30. (Exercise period)

1. The exercise period of the government bond futures options shall be the period starting on the initial trading day and ending on the last trading day for each issue.

2. Notwithstanding the provisions of the preceding paragraph, in cases where the Exchange deems it necessary, the Exchange may change the exercise period of all or some of the issues.

Rule 31. (Suspension of exercise)

The Exchange may suspend exercise of government bond futures options with respect to all or some of the issues, in the event that trading in the government bond futures options is suspended or in cases where the Exchange deems it inappropriate to allow such exercise for the purpose of administration of transactions.

Rule 32. (Expiration of government bond futures option)

A government bond futures put option or government bond futures call option shall expire at the time determined by the Exchange if no notice of exercise of such option has been given on the expiration date of the exercise period (meaning the expiration date of the exercise period as prescribed in Rule 30; the same shall apply hereinafter).

Section 6. Give-Up

Rule 33. (Give-up)

1. A trading participant may conduct the give-up with respect to the transactions in the government bond futures options (see Note 1 below) in accordance with the provisions of this section.

(Note 1) Such transactions in the government bond futures options shall include the transactions for the correction of errors but exclude the new transactions resulted from the give-up; the same shall apply hereinafter in this section.

2. “Give-up” means that a trading participant makes a sale or purchase transaction in the government bond futures options 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” (see Note 2 below), such give-up transaction will be taken up by a “designated clearing participant” (see Note 3 below).

(Note 2) Such non-clearing participant means a non-clearing participant prescribed in the provisions of Rule 24-2, Paragraph 5 of the Trading Participant Regulations; the same shall apply hereinafter.

(Note 3) Such designated clearing participant means a designated clearing participant selected and designated by a non-clearing participant for its own account in accordance with the provisions of Rule 24-4, Paragraph 1 of the Trading Participant Regulations; the same shall apply hereinafter.

3. An “executing trading participant” means a trading participant who executes a sale or purchase transaction in the government bond futures options that is to be extinguished as a result of the completion of the give-up.

4. An “clearing trading participant” means 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 options 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 34. (Give-up notification)

1. When an executing trading participant intends to give up its sale or purchase transaction in the government bond futures options, 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 35. (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 (see Note below), the Exchange shall immediately notify the executing trading participant relevant to the give-up of that effect.

(Note) Such cases include cases where the Exchange deems that the notification prescribed in Paragraph 1, Item 2 in accordance with the provisions of the preceding paragraph is received)

Rule 36. (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 7 through 9 Deleted

Rules 37 through 39 Deleted

Section 10. Miscellaneous Provisions

Rule 40. (Reporting of particulars of positions)

A trading participant shall, in the event that the amount prescribed in each of the following items in government bond futures options whose underlying JGB futures contract month is the nearest contract month (see Note 1 below) of the government bond futures contract (see Note 2 below) for its own account or the amount prescribed in each of the following items 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 designated as the subjects of the transaction contract in government bond futures contract resulting from exercise, report the particulars thereof to the Exchange in accordance with the provisions prescribed by the Exchange.

(Note 1) Such nearest contract month means the contract month that has the earliest last trading day.

(Note 2) Such government bond futures contract includes a transaction for correcting errors; the same shall apply in the next rule.

(1) The difference between the short position (see Note 3 below) and the long position (see Note 4 below) in government bond futures put options;

(Note 3) Such short position means a position (i.e., the amount for which the settlement with respect to exercise of each issue has not been completed (hereinafter referred to as “unsettled contract”)) pertaining to a sale contract; the same shall apply hereinafter.

(Note 4) Such long position means a position pertaining to a purchase contract; the same shall apply hereinafter.

(2) The difference between the short position and the long position in government bond futures call options; or

(3) The sum of the difference prescribed in Item 1 and the difference prescribed in Item 2, if, with respect to either one of the differences prescribed in the preceding two (2) items, the short position exceeds the long position while, with respect to the other Item, the long position exceeds the short position.

Rule 41. (Reporting to customers concerning government bond futures options)

1. A trading participant shall every month send to its customer who has an unsettled government bond futures options 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 issue designated as the subjects of the transaction contract in government bond futures contract resulting from exercise, whether it pertains to a government bond futures put option or call option, the contract month, the exercise price, whether it is a sale or purchase, the amount of contract, the contract price, the execution date (see Note 1 below), the last trading day (see Note 2 below), and the expiration date of the exercise period of the contract month.

(Note 1) Such execution date means the ending day of the trading day on which contract was executed.

(Note 2) Such last trading day means 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 electromagnetic means. This “electromagnetic 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 “the transaction described has been recorded” (the same shall apply hereinafter in this paragraph and the next paragraph.) Note, however, that it is required to explain the use of such electromagnetic means including its type and particulars to the customer in advance and obtain the customer’s approval in writing or through the electromagnetic 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 electromagnetic means, if the customer has instructed in writing or through the electromagnetic means not to send such information using any electromagnetic means; provided, however, that the same shall not apply if the customer gives another approval in accordance with the provisions of the preceding paragraph.

Rule 42. (Assignment of exercise and notification thereof to customer)

1. In cases where a trading participant receives notice, pursuant to the Method of Conducting Business adopted by the Japan Securities Clearing Corporation (hereinafter referred to as “the Clearing Corporation”), concerning the assignment of exercise with respect to a position based on the order accepted from a customer, the trading participant shall assign the exercise to the customer immediately in accordance with a method determined in advance.

2. In case of the assignment prescribed in the preceding paragraph, the trading participant shall notify the customer promptly of the issue and the amount pertaining to the assignment.

Rule 43. (Regulatory actions concerning trading in government bond futures options)

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 options 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 options in the market of the Exchange or acceptance of customers' orders therefore.

Rules 44 and 45. Deleted

Rule 46. (Method of trading etc. in government bond futures options in the Exchange market)

1. A trading participant shall execute the trading in the government bond futures options in the market of the Exchange by using the trading participant's terminals or otherwise deemed appropriate by the Exchange.

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

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

4. The person responsible for the trading operations in the government bond futures contract as prescribed in Rule 43-2, Paragraph 3 of Special Regulations Concerning Government Bond Futures Contract shall also supervises trading operations in the government bond futures options and handles other matters relevant thereto; 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 options, 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.

Rules 47 and 48. Deleted

Rule 49. (Emergency measures in case of trouble in operation of trading system)

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

2. A trading participant that finds it difficult to make bids and offers due to any troubles in operation of the trading system or other unavoidable circumstances (see Note 1 below) may make bids and offers through other trading participant(s) (see Note 2 below) with a prior approval of such other trading participant(s) and the Exchange. In this instance, when a transaction in the government bond futures options 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.

(Note 1) Such trading participant shall be hereinafter referred to as “trading participant in system troubles”.

(Note 2) Such trading participant shall be hereinafter referred to as “acting trading participant(s)”.

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

Rule 50. (Rewording of Business Regulations)

In applying the provisions of Rules 74 through 76, and Rule 77-2 of the Business Regulations to the government bond futures options, the term “... the daily total trading volume etc. in the Exchange market” in Rule 74 shall be read “... of the aggregate trading volume data etc. on every trading day of the Exchange market”; the term “... of the daily market Trading Volume data etc. of the market of the Exchange” in Rule 75 shall be read “... of the market trading volume data etc. on every trading day of the Exchange market”; and the term “trading participant” in Rule 76 and Rule 77-2 thereof shall be read “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 the same rule, Paragraph 3.”

CHAPTER 3

Special Regulations of Brokerage Agreement Standards

Section 1. Order Acceptance for Government bond futures options

Rule 51. (Submission of agreement for establishment of Futures/Options Trading Account)

1. A customer who wishes to entrust a transaction in the government bond futures

options 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 options 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 therefore 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 electromagnetic means, if the trading participant explains the customer the type and particulars of such electromagnetic means (see Note below) and the customer accepts the use of such electromagnetic means and gives its approval to the trading participant in writing or through the electromagnetic means. In this instance, it shall be considered that the customer has submitted the agreement form to the trading participant.

(Note) Such electromagnetic means refers to 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.

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

Rule 51-2. (Conclusion of give-up agreement)

1. In the event that a customer wishes to entrust a transaction in the government bond futures options 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 options pertaining to the give-up, and if the customer is an applicant's agent (see Note 1 below), the give-up agreement shall be finalized among the customer, the applicant who applies for the entrustment to the agent, and the clearing trading participant involved in the give-up in accordance with the agreement prescribed in the preceding two paragraphs.

(Note 1) Such agent means that the customer who entrusts the give-up transaction to the executing trading participant is an agent such as a financial instrument firm or a foreign securities company, and the entrustment of the give-up transaction was made through the agent by the applicant; the same shall apply in the following paragraph.

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 options pertaining to the give-up, and if a customer of the clearing trading participant is a clearing agent (see Note 2 below), the give-up agreement shall be finalized among the customer of the clearing trading participant, the executing trading participant (see Note 3 below), and the customer of the executing trading participant in accordance with the agreement prescribed in the preceding Paragraphs 1 and 2.

(Note 2) Such clearing agent means that the customer who entrusts the clearing of the give-up transaction to the clearing trading participant is an agent such as a financial instrument firm or a foreign securities company, and the entrustment of clearing the give-up transaction was made through the agent by the applicant; the same shall apply hereinafter.

(Note 3) Such executing trading participant means the applicant, if the applicant applies for entrustment of the give-up transaction to an agent, that is, the customer of the executing trading participant.

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 options pertaining to the give-up.

Rule 52. (Notification matters by customers)

In the event that a customer entrusts a transaction in the government bond futures options, 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 53. (Instructions at the time of entrustment)

1. Every time when a customer entrusts a sale or purchase of a government bond futures put option or government bond futures call option, the customer shall give the instructions prescribed in each of the following items to its trading participant:

- (1) Issue designated as the subjects of the transaction contract in government bond futures contract resulting from exercise;
- (2) Whether the transaction pertains to a government bond futures put option or government bond futures call option;
- (3) Contract month;
- (4) Exercise price;
- (5) Whether it is a sale or purchase to initiate a new position, or a sale for offset (see Note 1 below) or purchase for offset (see Note 2 below);
(Note 1) Such sale for offset means a transaction that offsets a long position; the same shall apply hereinafter.
(Note 2) Such purchase for offset means a transaction that offsets a short position; the same shall apply hereinafter.
- (6) When conducting such entrustment through strategy trading, such fact;
- (7) Contract amount;
- (8) Limit of the price (limit of strategy prices in the case of strategy trading);
- (9) Type of order;
- (10) When placing conditions on the order, such conditions;
- (11) Trading session; and
- (12) Effective period of an entrusted order.

2. Notwithstanding the provisions of the preceding Paragraph 1, a customer may not need to give the instruction prescribed in Item 5 of the same paragraph, if its

trading participant agreed to execute transactions in accordance with the procedures instructed by the customer in advance. In this instance, the trading participant shall execute 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 5 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 53-2. (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 options 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 (except Item 5) of Paragraph 1 of the same rule to its executing trading participant.

- (1) The transaction in the government bond futures options 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 53-3. (Validity of orders placed by customers at resumption of suspended trading)

An order placed by a customer shall remain valid during the effective period instructed by the customer in accordance with the provisions prescribed in the preceding Rules 53 and 53-2, even in the event that the Exchange has suspended trading in the government bond futures options; provided, however, that the same shall not apply when the customer has

given an instruction that such order should cease to be valid in the case of suspension of trading.

Rule 53-4. (Validity 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 options 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 options as a result of the completion of the give-up.

Rule 53-5. (Instructions on sale or purchase for offset at the completion of give-up)

1. Notwithstanding the provisions prescribed in preceding Rule 53, in the event that the give-up of the sale or purchase transaction in the government bond futures options has finalized, the relevant customer may give an instruction prescribed in Paragraph 1, Item 5 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 5 of Rule 53 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 options as a result of the completion of the give-up.

Section 2. Margin etc.

Rule 54. (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”).

Section 3. Exercise by Customers

Rule 55. (Instructions at the time of exercise)

1. Every time when a customer entrusts an exercise in the government bond futures options, the customer shall give the instructions on the amount pertaining the exercise for each issue to its trading participant by 4:00 p.m. of the day of the exercise.

2. With respect to issues meeting any of the conditions prescribed in each of the following items as of the expiration date of the exercise period, it shall be deemed that the instructions prescribed in the preceding paragraph were given on that day even if such instructions were not given by the time prescribed in the same paragraph; provided, however, that the same shall not apply when the customer has given an instruction that he/she will not exercise the option pertaining to such issue by the said deadline.

(1) A government bond futures put option whose exercise price exceeds the settlement price (see Note 1 below) of the underlying JGB futures contract month as of the trading day that ends on the expiration date of the exercise period.

(Note 1) Such settlement price means a price determined by the Clearing Corporation as the settlement price of the government bond futures contract; the same shall apply hereinafter.

(2) A government bond futures call option whose exercise price is less than the settlement price of the underlying JGB futures contract month as of the trading day that ends on the expiration date of the exercise period.

3. If it is determined by the Exchange that it is inappropriate to deem that instructions on exercise were given pursuant to the provision of the main clause of the preceding paragraph due to any troubles in operation of the trading system or other unavoidable circumstances, such provision shall not apply.

Rules 56 through 60. Deleted

Section 4. Settlement by Customers

Rule 61. (Deadline for settlement by customer)

With respect to an order for purchase of the government bond futures options, a customer shall pay to the trading participant the trading price pertaining to such purchase by the time and date designated by the trading participant but not later than the day following the ending day of the trading day on which the purchase transaction was executed; provided, however, that if the customer is a “non-resident” (see Note 1 below), the payment shall be

made by the time and date designated by the trading participant but not later than the second day (see Note 2 below) after the ending day of the trading day.

(Note 1) Such non-resident means a non-resident prescribed in Article 6, Paragraph 1, Item 6 of the Foreign Exchange and Foreign Trade Law under the Law No. 228 in 1949)

(Note 2) Such day shall exclude holidays.

Rule 61-2. (Appropriation of margin to payment of the trading price)

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 the preceding rule.

Rule 62. (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, fails to pay any amount of money payable to a trading participant, or fails to pay the trading price pertaining to a purchase transaction with respect to a government bond futures options by the time of prescribed deadline, the trading participant may, at its discretion, execute a sale or purchase transaction for offset or exercise the option (including the entrustment of such transaction), for the customer's own account, to complete the settlement of such government bond futures options.

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 or securities held by the trading participant or recorded in an account in accordance with the Act on Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Act No.75 of 2001) on behalf of such customer 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 5. Transfer etc. of Unsettled Contracts

Rule 63. (Handling of customers' unsettled contracts)

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

Section 6. Miscellaneous Provisions

Rule 64. (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 options may be made in foreign currency designated by the customer, if the trading participant has agreed thereto.

Rule 64-2. (Validity 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 is deemed 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 is deemed that such damage or loss was caused by the Exchange intentionally or by gross negligence of the Exchange.

Rule 65. (Rewording of Brokerage Agreement Standards)

In applying the provisions prescribed in Rule 2 of the Brokerage Agreement Standards to the government bond futures options, the term “trading participant (see Note 1 below)” in the same rule shall be “trading participant (see Note 2 below).”

(Note 1) Such trading participant means a General Trading Participant of the Exchange; the same shall apply hereinafter.

(Note 2) Such trading participant means a General Trading Participant or a Government Bond Futures Trading Participant of the Exchange.

CHAPTER 4

Miscellaneous Provisions

Rule 66. (Application to brokerage for clearing of securities, etc.)

The provisions of Chapter 2 (except Section 5) shall be applied to the brokerage for clearing of securities, etc., pertaining to transactions in the government bond futures

options by regarding a trading participant that entrusts the brokerage for clearing of securities, etc., as an entity that executes such transactions in the government bond futures options.