

Trading Participant Regulations
(as of November 24, 2009)

Tokyo Stock Exchange, Inc.

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CHAPTER 1
GENERAL PROVISIONS

Rule 1. Purpose

1. These Regulations shall, pursuant to the provisions of Rule 1-3, Paragraph 1 of the Business Regulations, provide for necessary matters concerning trading participants of the Exchange.
2. Any amendment to these Regulations shall be made by a resolution of the Board of Directors of the Exchange; provided, however, that this shall not apply to cases where the substance of the amendment is of minor significance.

Rule 2. Trading Participants

1. Trading participants shall be classified into four (4) types as follows: general trading participant; government bond futures, etc. trading participant; index futures, etc. trading participant; and individual options trading participant.
2. A general trading participant shall mean a person having a trading qualification for effecting securities transactions, etc. (excluding those based on brokerage for clearing of securities, etc.) in the Exchange market (such trading qualification shall be hereinafter referred to as a “general trading qualification”).
3. A government bond futures, etc. trading participant shall mean a person having a trading qualification for effecting transactions (excluding those based on brokerage for clearing of securities, etc.) set forth in each of the following items in the Exchange market (such trading qualification shall be hereinafter

- referred to as a “government bond futures, etc. trading qualification”):
- (1) Government bond futures, etc. trading (meaning transactions referenced in Article 2, Paragraph 21, Item 1 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the “Act”) pertaining to standardized government bonds or transactions referenced in Item 2 of the same paragraph pertaining to prices of said government bonds; the same shall apply hereinafter); and
 - (2) Government bond futures options trading (meaning transactions pertaining to the government bond futures contract out of the transactions prescribed in Article 2, Paragraph 21, Item 3 of the Act; the same shall apply hereinafter).
4. An index futures, etc. trading participant shall mean a person having a trading qualification for effecting transactions (excluding those based on brokerage for clearing of securities, etc.) set forth in each of the following items in the Exchange market (such trading qualification shall be hereinafter referred to as an “index futures, etc. trading qualification”):
- (1) Index futures, etc. trading (meaning transactions pertaining to an index out of the transactions prescribed in Article 2, Paragraph 21, Item 2 of the Act; the same shall apply hereinafter); and
 - (2) Index options trading (meaning transactions prescribed in the Business Regulations as being treated in the same manner as transactions prescribed in Item 2 of the same paragraph (limited to those pertaining to an index) out of the transactions prescribed in Article 2, Paragraph 21, Item 3 of the Act; the same shall apply hereinafter).
5. An individual options trading participant shall mean a person having a trading qualification for effecting transactions in individual options contract (meaning transactions pertaining to trading in securities out of the transactions prescribed in Article 2, Paragraph 21, Item 3 of the Act, but excluding those based on brokerage for clearing of securities, etc.) in the Exchange market (such trading qualification shall be hereinafter referred to as an “individual options trading qualification”):
6. No trading participant shall have more than one (1) qualification of the same type.
7. No trading participant shall have the general trading qualification and other trading qualifications at the same time.

Rule 2-2. Form of Securities Trading, etc. in the Exchange Market

1. A trading participant shall carry out securities trading, etc. (limited to those pertaining to the type of trading qualification that such trading participant owns; the same shall apply hereinafter) in the Exchange market pertaining to the clearing qualification that it owns (meaning the clearing qualification prescribed in the Business Rules and Regulations of Japan Securities Clearing

Corporation (hereinafter referred to as the “Clearing Corporation”); the same shall apply hereinafter).

2. A trading participant shall, for its securities trading, etc. in the Exchange market pertaining to a type of clearing qualification it does not have, entrust its designated clearing participant (meaning a designated clearing participant prescribed in Rule 24-4; the same shall apply in Rule 5) with brokerage for clearing of securities, etc.

Rule 3. Ensuring Fair Price Formation and Smooth Circulation of the Market

1. A trading participant shall make efforts to ensure fair price formation and high negotiability in the Exchange market, so that the function of the Exchange as a financial instruments exchange market would be maintained and enhanced.
2. A trading participant shall be a person whose important part of business is made up of engaging in securities trading, etc. in the Exchange market.

CHAPTER 2 ACQUISITION OF TRADING QUALIFICATION

Rule 4. Application and Approval for Obtainment of Trading Qualification

1. A person who intends to obtain a trading qualification shall make an application to the Exchange for each desired type of trading qualification as prescribed by the Exchange.
2. The Exchange shall, in accordance with the classification of trading qualifications prescribed in each of the following items, give its approval with regard to obtainment of a trading qualification(s) to a person prescribed in each item and regarded eligible by the Exchange after examination effected in the manner set forth by the Exchange:
 - (1) General trading qualification, index futures, etc. trading qualification, or individual options trading qualification may be obtained by:
 - a. Financial instruments firms (limited to those that have registered their own business pertaining to actions prescribed in Article 28, Paragraph 1, Item 1 of the Act; the same shall apply to the following item); or
 - b. Exchange Trading Authorized firms
 - (2) Government bond futures, etc. trading qualification may be obtained by:
 - a. financial instruments firms;
 - b. exchange trading authorized firms; or
 - c. registered financial institutions.
3. An approval set forth in the preceding paragraph shall be given by specifying the date when the trading qualification should be obtained.

4. The Exchange shall, when it has approved obtainment of the general trading qualification pursuant to the provisions of Paragraph 2, give a notification to each trading participant to that effect, and when it has approved obtainment of any other trading qualifications pursuant to the provisions of the same paragraph, shall give notice to that effect to each general trading participant and each trading participant having such trading qualification.

Rule 5. Implementation of Procedure for Obtaining Trading Qualification

1. When the Exchange has approved obtainment of a trading qualification pursuant to the provisions of Paragraph 2 of the preceding rule, the Exchange shall, by the day (to be moved back if such day falls on a holiday; the same shall apply hereinafter) preceding the date the Exchange specifies pursuant to the provisions of Paragraph 3 of the same rule, have an applicant for obtaining a trading qualification pay an admission fee, enter into a trading participant agreement, follow procedures for obtaining the clearing qualification that the applicant does not have out of the clearing qualifications pertaining to the type of trading qualification it is going to obtain (where the applicant does not intend to newly obtain such clearing qualification, conclude a clearing entrustment agreement necessary pursuant to the provisions of Rules 24-3 and 24-4 and designate a designated clearing participant), deposit participant bond, make a trading participant security money, and carry out other procedures prescribed by the Exchange for obtainment of trading qualification.
2. The amount of admission fees shall be prescribed by the Exchange in its regulations.
3. Notwithstanding the provisions of Paragraph 1, where an applicant for obtaining a trading qualification obtains the trading qualification through transfer of the trading right or by succeeding to the trading right as a result of a corporate merger or demerger pursuant to the provisions of Rule 33, the applicant does not need to pay an admission fee.
4. Notwithstanding the provisions of Paragraph 1, in the event that an applicant for obtaining a trading qualification (limited to an exchange trading authorized firm) obtains the same trading qualification as a trading participant (limited to an exchange trading authorized firm) and at the same time said trading participant waives the trading qualification, if the Exchange deems that said applicant is essentially same as said trading participant who waives said qualification as specified by the Exchange, said applicant is not required to pay the admission fee.
5. In the case referred to in Paragraph 1, where a trading participant newly obtains a trading qualification, the applicant may provide its current participant bond and trading participant security deposit that have already been deposited for those with respect to the newly obtained trading qualification.

6. In the case referred to in Paragraph 1, where an applicant for obtaining a trading qualification obtains the same type of trading qualification from a trading participant through transfer of a business in a demerger or purchase of a business from such trading participant simultaneously with the waiver of such trading qualification of such trading participant, and when the Exchange deems that the trading participant whose trading qualification is to be waived as prescribed by the Exchange and the applicant for obtaining a trading qualification are not substantially different, the applicant may provide the current participant bond and trading participant security deposit that have already been deposited by the trading participant whose trading qualification is to be waived for those with respect to the newly obtained trading qualification by the applicant.
7. When an applicant for obtaining a trading qualification has not carry out the procedures prescribed in Paragraph 1 by the day immediately preceding the date specified by the Exchange pursuant to the provisions of Paragraph 3 of the preceding rule, the Exchange shall consider that the application for obtaining the trading qualification has been withdrawn.

Rule 6. Date of Obtaining Trading Qualification

1. The Exchange shall, when an applicant for obtaining a trading qualification has carried out the procedures pursuant to the provisions of Paragraph 1 of the preceding rule, grant the trading qualification under application on the date the Exchange has specified pursuant to the provisions of Rule 4, Paragraph 3.
2. The Exchange shall, when it has granted a trading qualification to the applicant for obtaining such qualification pursuant to the provisions of the preceding paragraph, make public to that effect and give a trading qualification certificate to the applicant that has obtained the trading qualification. However, the Exchange shall make no public notice with regard to the exchange trading authorized firm who has obtained a trading qualification (hereinafter referred to as a "remote trading participant").
3. Necessary matters concerning a trading qualification certificate shall be prescribed by the Exchange.

**CHAPTER 3
DUTIES OF TRADING PARTICIPANT, etc.**

**SECTION 1
GENERAL PROVISIONS**

Rule 7. Conclusion of Trading Participant Agreement

A trading participant must enter into with the Exchange a trading participant

agreement prescribed by the Exchange.

Rule 8. Trading Participant Representative

1. A trading participant shall, as prescribed by the Exchange, notify in advance the Exchange of one (1) person among its representative board members or representative executive officers as its trading participant representative, who is appropriate for representing such trading participant at the Exchange (where the trading participant is a foreign corporation which is not a remote trading participant, it shall be a person who is representative in Japan and holds a position equivalent to or higher than a board member or an executive officer, or where the trading participant is a remote trading participant, it shall be a person who holds a position equivalent to or higher than a board member or an executive officer).
2. Only trading participant representative shall represent such trading participant in the relationship between the trading participant and the Exchange; provided, however, that day-to-day operations may be conducted by day-to-day operation representative who has been notified to the Exchange upon prior clarification of the scope of the operations.

Rule 8-2. Person Responsible for Compliance with Laws and Regulations

The remote trading participant shall, as specified by the Exchange, apply to the Exchange for approval of a person that said participant selected from among persons holding a position equivalent to or higher than a board member or an executive officer as a person responsible for compliance with the laws and regulations, and must obtain the approval of said person by the Exchange. In this case the person responsible for compliance with the laws and regulations shall mean a person who (i) thoroughly enforces board members, executive officers, and employees to comply with the Act and related laws and regulations (hereinafter referred to as the "Laws and Regulations", disciplinary actions or dispositions by the administrative agencies in accordance with the Laws and Regulations, the Exchange's Articles of Incorporation, the Business Regulations, the Brokerage Agreement Standards, and other rules & regulations as well as just and equitable principles of trade (hereinafter referred to as the "compliance with the Laws and Regulations"), (ii) makes efforts to develop and maintain internal management systems, and (iii) makes appropriate liaison and coordination with the Exchange with regard to the compliance with the Laws and Regulations.

Rule 9. Cooperative or Control Relationship with Officers or Other Persons

1. When the Exchange deems that cooperative or control relationship with a trading participant's officer or other person is inappropriate in the light of operations of the Exchange market, the Exchange may, after holding a hearing

- with such trading participant, demand the alteration thereof by giving the reason therefore; provided, however, that the trading participant may submit to the Exchange a written statement instead of appearing for a hearing.
2. Where a trading participant doesn't respond to hearing set forth in the preceding paragraph without good reason, the Exchange may demand the alteration prescribed in the same paragraph without holding a hearing.
 3. A trading participant may, if it considers the demand for the alteration mentioned in Paragraph 1 unreasonable, file with the Exchange an objection in writing by giving a reason within ten (10) days of the date of receipt of the demand for alteration.
 4. Where the Exchange has received an objection in writing set forth in the preceding paragraph from a trading participant and decided that it is appropriate to modify or revoke the demand for alteration referenced in Paragraph 1, the Exchange shall immediately modify or revoke the demand referenced in Paragraph 1.

Rule 10. Liaison Office

A trading participant shall designate one (1) office as a liaison office at which it receives notifications from the Exchange out of its offices which are a head office, other sales offices or main business offices (where the trading participant is a foreign corporation, main sales offices or business offices located in Japan) and are conveniently located for communication with the Exchange. However, a remote trading participant which has no office in Japan shall, instead, notify the Exchange of the name and address of the representative in Japan as prescribed in Article 60-2, Paragraph 1 of the Act.

Rule 11. Payment of Trading Participation Fees

A trading participant must pay trading participation fees to the Exchange in accordance with the provisions of the rules prescribed by the Exchange.

Rule 11-2. Payment of Cancellation Fees

Where a securities trading, etc. had been executed based on an erroneous order and such trading, etc. was cancelled, a trading participant that placed such erroneous order must pay cancellation fees pertaining to the cancellation of such trading, etc. to the Exchange in accordance with the provisions of the rules prescribed by the Exchange.

Rule 12. Deposit of Participant Bond, etc.

1. A trading participant must deposit a participant bond with the Exchange as prescribed by the Exchange.
2. The amount of the participant bond shall be three million (3,000,000) yen.

3. The participant bond may be deposited in securities in lieu of money as prescribed by the Exchange; provided, however, that this shall not apply to remote trading participants.
4. The Exchange shall keep the participant bond separately from its other assets, and manage it in the manner specified in each of the following items:
 - (1) Purchase of government bonds or municipal bonds;
 - (2) Deposit with banks; and/or
 - (3) Money trust with banks doing trust business.

Rule 13. Deposit of Trading Participant Security Money

1. A trading participant must deposit with the Exchange trading participant security money in accordance with the provisions of the rules prescribed by the Exchange, in order to ensure fulfillment of its obligations pertaining to trading participation fees based on the provisions of Rule 11.
2. The trading participant security money may be deposited in securities in lieu of money as prescribed by the Exchange; provided, however, that this shall not apply to remote trading participants.

Rule 14. Prohibition of Transfer of Right to Claim Return of Participant Bond, etc.

No trading participant may transfer, agree to transfer or offer as a pledge to other persons the participant bond and the trading participant security money.

Rule 15. Liability for Damage by Use of Market Facilities

The Exchange shall not be liable to indemnify a trading participant for any damage to the said participant as the result of its use of the Exchange's market facilities, unless such damage has been caused obviously by the Exchange's willfulness or gross negligence.

Rule 16. Obligation to Obtain Approval of the Exchange Regarding Merger, etc.

1. A trading participant must obtain a prior approval of the Exchange when it is going to take the following actions:
 - (1) Merger in the case where such trading participant merges with another corporation with such trading participant surviving after the merger (excluding those prescribed in Items 6 and 9 of the following rule);
 - (2) Transfer of part of a trading participant's business (in the case of a registered financial institution, its registered financial institution business; the same shall apply hereinafter through the following rule) to another corporation as a result of demerger (excluding those prescribed in Item 9 of the following rule);

- (3) Transfer of business from another corporation in whole or in part as a result of demerger (excluding those prescribed in Items 7, 9 and 10 of the following rule);
 - (4) Sale of part of business to another corporation (excluding those prescribed in Item 9 of the following rule); and
 - (5) Purchase of another corporation's business in whole or in part (excluding those prescribed in Items 8, 9 and 11 of the following rule).
2. A trading participant who intends to obtain the approval set forth in the preceding paragraph shall make a notification and application to the Exchange for the approval as prescribed by the Exchange.
 3. When the Exchange conducts examination based on the examination prescribed in Paragraph 2 of Rule 4 and deems that an action prescribed in each item of Paragraph 1 is inappropriate in the light of operations of the Exchange market, the Exchange may, after holding a hearing with such trading participant, refuse to give approval prescribed in the same paragraph.
 4. The proviso in Paragraph 1 of Rule 9 and the provisions of Paragraph 2 through Paragraph 4 of the same rule shall apply mutatis mutandis to disapproval set forth in the preceding paragraph.
 5. Where a trading participant has obtained the approval prescribed in Paragraph 1 and is required by the Exchange to report on its financial condition or other matters that are deemed appropriate by the Exchange, it must immediately report the details to the Exchange.

Rule 17. Matters to Be Notified

A trading participant shall submit a prior notice to the Exchange as prescribed by the Exchange when it is going to take any of the following actions:

- (1) Withdrawal from business (meaning the business referenced in Article 28, Paragraph 1, Item 1 of the Act in the case of a financial instruments firm, the exchange trading business in the case of an exchange trading authorized firm, and the registered financial institution business in the case of a registered financial institution.);
- (2) Merger in cases where such trading participant merges into another corporation with such trading participant becoming extinct, or where such trading participant establishes a corporation by merging with another corporation;
- (3) Dissolution for reasons other than merger or determination of the commencement of bankruptcy proceedings;
- (4) Transfer of the whole business to another corporation as a result of demerger;
- (5) Sale of the whole business;
- (6) Merger in cases where such trading participant merges with another trading participant with such trading participant surviving;

- (7) Transfer of business in whole from another trading participant as a result of demerger;
- (8) Purchase of another trading participant's whole business;
- (9) Action prescribed in each item of Paragraph 1 of the preceding rule, which is separately specified by the Exchange from among actions for which an approval by a resolution of a general shareholders meeting is not required under the Companies Act (Act No. 86 of 2005) (or a comparable action in the case of a person other than a stock company);
- (10) Transfer of business in whole or in part from its wholly-owned subsidiary as a result of demerger;
- (11) Purchase of business in whole or in part from its wholly-owned subsidiary;
- (12) Change in the trade name (including the trade name or company name in English); or
- (13) Change in officers.

Rule 18. Matters to Be Reported

Where a trading participant has fallen under any of the cases prescribed by the Exchange, it must immediately report the details to the Exchange.

Rule 19. Investigation of Trading Participants

1. In cases prescribed in each of the following items or in other cases where the Exchange deems it necessary in the light of operations of the Exchange market, the Exchange may require a trading participant to submit informational reports or materials concerning the business or assets of such trading participant, or inspect the actual status of such participant's business or assets, or books, documents or other objects:
 - (1) In cases where the Exchange investigates the compliance status by a trading participant with the Laws and Regulations, or disciplinary actions or dispositions taken by the administrative authorities under the Laws and Regulations, or the Articles of Incorporation, the Business Regulations, the Brokerage Agreement Standards, or other regulations of the Exchange, or disciplinary actions or dispositions taken by the Exchange under these regulations, or just and equitable principles of trade;
 - (2) In cases where the Exchange investigates a trading participant's financial condition;
 - (3) In cases where the Exchange conducts investigation for the purpose of ensuring fairness of securities trading, etc. in the Exchange market; or
 - (4) In cases where the Exchange has received request from another financial instruments exchange or a financial instruments firms association (including a foreign organization equivalent thereto) for information to be used for investigation for the purpose of ensuring fairness of securities trading, etc.,

and in addition, in cases where the Exchange deems it appropriate to comply with such request.

2. When a trading participant has been required by the Exchange to submit reports or materials pursuant to the provisions of the preceding paragraph, it shall do this in the manner prescribed by the Exchange without delay.

Rule 20. Regulation on Advertisement

A trading participant's advertisement shall be as prescribed by the Exchange.

Rule 21. Duty of Investigation When Accepting Orders

A trading participant must, when it accepts an order to buy or sell securities (excluding entrustment of brokerage for clearing of securities, etc.) in the Exchange market, carry out prior inquiries as to the address, the name and other matters prescribed by the Exchange with respect to the customer.

Rule 22. Restriction of Order Acceptance from Officers or Employees of Another Trading Participant

No trading participant shall accept from an officer (including members who are to perform the duty of an officer if the officer is a corporation; the same shall apply hereinafter in this rule) or an employee of another trading participant an order to buy or sell securities in the Exchange market that pertain to the type of trading qualification of such other trading participant, while knowing that such officer or employee is an officer or employee of such other trading participant; provided, however, that this shall not apply to cases where consent has been obtained either in writing or by a method using an electronic information processing system or any other means using the information communications technology from such other trading participant, or where an order placement is received in transactions in government bonds, investment trust beneficiary certificates, foreign investment trust beneficiary certificates, investment securities, foreign investment securities, beneficiary certificates of a beneficiary certificate issuing trust (limited to domestic commodity trust beneficiary certificates), or beneficiary certificates of a foreign beneficiary certificate issuing trust.

Rule 22-2. Development of the Trading Management System

A trading participant must properly develop a trading management system designed to prevent unfair trading as prescribed by the Exchange.

Rule 22-3. Development of the Order Management System

A trading participant must properly develop an order management system designed to prevent accepting and placing erroneous orders as prescribed by the Exchange.

Rule 22-4. Development of the Listing Eligibility Examination System

A managing trading participant (meaning a managing trading participant prescribed in Rule 2, Item 24 of the Securities Listing Regulations) must properly develop the system for examining the listing eligibility of securities as prescribed by the Exchange.

Rule 23. Responsibility for Securities Trading, etc.

A trading participant must assume full responsibility for its securities trading, etc. in the Exchange market.

Rule 23-2. Public Announcement of Erroneous Orders

In cases where an erroneous order has been placed and the Exchange announced it to the public pursuant to the provisions of Rule 77-2 of the Business Regulations, the trading participant that placed the order must, without delay, announce the name of the issue or other matters specified by the Exchange with respect to such order.

Rule 23-3. Restriction on Remote Trading Participant's Accepting Entrustment

1. A remote trading participant shall not accept entrustment of securities trading, etc. in the Exchange market while being aware that an order(s) is for an account of a person(s) residing in Japan.
2. If a remote trading participant accepts entrustment of securities trading, etc. in the Exchange market from a customer residing outside Japan, said participant must apply to the Exchange in advance as specified by the Exchange, and obtain approval from the Exchange.
3. The provisions of Rule 16, Paragraphs 3 through 5 shall apply mutatis mutandis to the approval in the preceding paragraph.

Rule 23-4. Obligation, etc. of Remote Trading Participants

1. A remote trading participant must abide by matters referenced in each of the following items in the course of carrying out its business:
 - (1) To adequately administrate its electronic data processing system for exchange trading business, etc.; and
 - (2) To prohibit any person other than board members, executives, and employees whom the Exchange deemed appropriate from committing acts specified by the Exchange with regard to securities trading, etc. in the Exchange market.
2. A remote trading participant must comply with rules, board resolutions, and guidelines of the Japan Securities Dealers Association which the Exchange deems that such compliance is necessary for said participant in light of the

exchange trading business carried out by said participant.

Rule 24. Regulations on Business of Trading Participants in Case of Emergency

The Exchange may, in cases where it deems there is urgent necessity in the light of operations of the Exchange market, impose necessary and appropriate regulations on business of all or part of trading participants, in addition to such cases as prescribed separately by the Exchange.

**SECTION 2
DUTIES OF TRADING PARTICIPANTS WITHOUT CLEARING
QUALIFICATION, etc.**

Rule 24-2. Definition of Non-clearing Participant

1. A cash trading non-clearing participant shall mean a general trading participant who has no cash trading clearing qualification (meaning a cash trading clearing qualification prescribed in the Business Rules and Regulations of the Clearing Corporation; the same shall apply hereinafter).
2. A government bond futures, etc. non-clearing participant shall mean a general trading participant and a government bond futures, etc. trading participant who have no government bond futures, etc. clearing qualification (meaning a government bond futures, etc. clearing qualification prescribed in the Business Rules and Regulations of the Clearing Corporation; the same shall apply hereinafter).
3. An index futures, etc. non-clearing participant shall mean a general trading participant and an index futures, etc. trading participant who have no index futures, etc. clearing qualification (meaning an index futures, etc. clearing qualification prescribed in the Business Rules and Regulations of the Clearing Corporation; the same shall apply hereinafter).
4. An individual options non-clearing participant shall mean a general trading participant and an individual options trading participant who have no individual options clearing qualification (meaning an individual options clearing qualification prescribed in the Business Rules and Regulations of the Clearing Corporation; the same shall apply hereinafter).
5. In these Regulations, a cash trading non-clearing participant, a government bond futures, etc. non-clearing participant, an index futures, etc. non-clearing participant and an individual options non-clearing participant shall be collectively referred to as non-clearing participants.

Rule 24-3. Conclusion of Clearing Entrustment Agreement

1. A cash trading non-clearing participant must enter into a clearing entrustment

Reference Translation

agreement prescribed in the Business Rules and Regulations of the Clearing Corporation with a cash trading agency clearing participant (meaning a person having an agency clearing qualification (meaning an agency clearing qualification prescribed in the Business Rules and Regulations of the Clearing Corporation; the same shall apply hereinafter) pertaining to cash trading qualification; the same shall apply hereinafter) concerning entrustment of brokerage for clearing of securities, etc. pertaining to trading in securities (excluding securities futures trading) in the Exchange market.

2. A government bond futures, etc. non-clearing participant must enter into a clearing entrustment agreement prescribed in the Business Rules and Regulations of the Clearing Corporation with a government bond futures, etc. agency clearing participant (meaning a person having an agency clearing qualification pertaining to a government bond futures, etc. clearing qualification) concerning entrustment of brokerage for clearing of securities, etc. pertaining to government bond futures trading and trading in options on government bond futures in the Exchange market.
3. An index futures, etc. non-clearing participant must enter into a clearing entrustment agreement prescribed in the Business Rules and Regulations of the Clearing Corporation with an index futures, etc. agency clearing participant (meaning a person having an agency clearing qualification pertaining to an index futures, etc. clearing qualification) concerning entrustment of brokerage for clearing of securities, etc., pertaining to index futures trading and index options trading in the Exchange market.
4. An individual options non-clearing participant must enter into a clearing entrustment agreement prescribed in the Business Rules and Regulations of the Clearing Corporation with a cash trading agency clearing participant and an individual options agency clearing participant (meaning a person having an agency clearing qualification pertaining to an individual options clearing qualification; the same shall apply hereinafter) concerning entrustment of brokerage for clearing of securities, etc., pertaining to individual options trading in the Exchange market.
5. Notwithstanding the provisions of Paragraph 2, a general trading participant that is a government bond futures, etc. non-clearing participant shall not be required to enter into a clearing entrustment agreement with respect to entrustment of brokerage for clearing of securities, etc. pertaining to government bond futures trading and government bond futures options trading, where it has obtained approval of the Exchange. In this case, such general trading participant may not entrust brokerage for clearing of securities, etc. pertaining to these transactions.
6. The provisions of the preceding paragraph shall apply mutatis mutandis to a general trading participant that is an index futures, etc. non-clearing participant. In this case, the term “government bond futures trading and government bond

futures options trading” shall be deemed to be replaced with “index futures trading and index options trading.”

7. The provisions of Paragraph 5 shall apply mutatis mutandis to a general trading participant who is an individual options non-clearing participant. In this case, the term “government bond futures trading and government bond futures options trading” shall be deemed to be replaced with “individual options trading”, and the term “these transactions” shall be deemed to be replaced with “transactions in individual options.”

Rule 24-4. Designation of Designated Clearing Participant

1. A non-clearing participant must designate one (1) person from among agency clearing participants (meaning cash trading agency clearing participants, individual options agency clearing participants, government bond futures, etc. agency clearing participants or index futures, etc. agency clearing participants; the same shall apply hereinafter) having entered into the clearing entrustment agreement with the non-clearing participant, to which it regularly entrusts brokerage for clearing of securities, etc. pertaining to such type of the clearing qualification (such person shall be hereinafter referred to as a “designated clearing participant”). In this case, a cash trading agency clearing participant and an individual options agency clearing participant designated by an individual options non-clearing participant shall be the same person.
2. The provisions of the preceding paragraph shall not apply to transactions pertaining to such type of the clearing qualification, for which the clearing entrustment agreement is not entered into with the approval set forth in the provisions of Paragraph 5 of the preceding rule (including cases where such provisions apply mutatis mutandis in Paragraph 6 or 7 of the same rule).
3. Where a non-clearing participant designates or changes its designated clearing participant prescribed in Paragraph 1, it must in advance submit to the Exchange an application therefor and obtain approval of the Exchange as prescribed by the Exchange.

Rule 24-5. Notification of Conclusion of Clearing Entrustment Agreement

A non-clearing participant shall, when it intends to conclude the clearing entrustment agreement, notify with the Exchange in advance of the details of the agreement, as prescribed by the Exchange.

Rule 24-6. Report on Cancellation of Clearing Entrustment Agreement

A non-clearing participant must, with respect to cancellation of the clearing entrustment agreement, report the details to the Exchange in accordance with the classification of cancellation prescribed in each of the following items pursuant to the provisions prescribed in each such item:

- (1) Cancellation based on an agreement between both parties:
The report shall be made by three (3) days (excluding holidays) preceding the day of the cancellation.
- (2) Cancellation based on the prior proposal in writing made by a non-clearing participant to an agency clearing participant:
The report shall be made without delay after the proposal for such cancellation is made.
- (3) Cancellation based on the prior proposal in writing made to a non-clearing participant by an agency clearing participant (excluding the cancellation referenced in Item 5):
The report shall be made without delay after the proposal for such cancellation was received.
- (4) Cancellation caused by the fact that the non-clearing participant has fallen under the condition of acceleration of the non-clearing participant's liabilities pertaining to its transactions based on entrustment of brokerage for clearing of securities, etc.:
The report shall be made by the day preceding the day of such cancellation.
- (5) Cancellation based on the prior proposal in writing made by an agency clearing participant to a non-clearing participant to when the following condition is met; the non-clearing participant and agency clearing participant set conditions in advance to be able to cancel a clearing entrustment agreement in light of ensuring fulfillment of its obligations pertaining to transactions based on entrustment of brokerage for clearing of securities, etc. (hereinafter referred to as a "special cancellation")
A report shall be made immediately after receiving the proposal for said special cancellation is made and by the day preceding the day of such special cancellation to be made.

CHAPTER 4 VOLUNTARY DISQUALIFICATION AS TRADING PARTICIPANT

Rule 25. Application for Waiver of Trading Qualification

When a trading participant intends to waive its trading qualification, the trading participant shall make an application to the Exchange for waiver of a trading qualification as prescribed by the Exchange for each type of trading qualification it intends to waive.

Rule 26. Regulatory Actions Including Suspension of Securities Trading, etc. by Applicant for Waiver

1. The Exchange shall, on and after the day (to be moved forward if the day falls on a holiday) following the day on which the Exchange received from a trading

participant an application for waiver of a trading qualification, suspend securities trading, etc. (excluding those based on entrustment of brokerage for clearing of securities, etc.; the same shall apply hereinafter in this rule and the following rule) or entrustment of brokerage for clearing of securities, etc. in the Exchange market, which pertain to such trading qualification of the trading participant.

2. Notwithstanding the provisions of the preceding paragraph, an applicant for waiver of such trading qualification may, with the approval of the Exchange, effect securities transactions, etc. or entrust brokerage for clearing of securities, etc. in the Exchange market within the extent to which such transactions are necessary for covering the applicant's any unsettled transactions pursuant to the provisions of Rule 56 of the Clearing/Settlement Regulations.

Rule 27. Transactions in Case of Merger, etc. of Applicant for Waiver

Where an applicant for waiver of a trading qualification is, concurrently with waiver of its trading qualification, merged by a person that obtains or has the same type of such trading qualification and has such a person succeed to its business as a result of its merger or transfers its business to such a person, and in addition, if the Exchange deems that it is unnecessary to have the applicant clear any unsettled transactions with respect to the applicant's securities trading, etc. or its transactions based on entrustment of brokerage for clearing of securities, etc. and its other transactions relevant to these transactions that were effected in the Exchange market, the Exchange may, notwithstanding the provisions of Paragraph 1 of the preceding rule, choose not to suspend the applicant for waiving such trading qualification from effecting securities transactions, etc. or entrustment of agency-based clearing of securities, etc. in the Exchange market.

Rule 28. Approval of Waiver of Trading Qualification

1. The Exchange shall approve waiver of a trading qualification, designating a future date.
2. The Exchange shall, where it has approved waiver of a general trading qualification, notify each trading participant to that effect, and when it has approved waiver of other trading qualification, shall notify to that effect each general trading participant and each trading participant having such trading qualification.

Rule 29. Procedures at the Time of Waiver of Trading Qualification

1. When a trading participant (excluding remote trading participants; the same shall apply in the next paragraph) has waived its trading qualification (including revocation thereof; the same shall apply hereinafter), the Exchange shall immediately issue an public notice of the trading participant's waiver of

- its trading qualification (where the Exchange returns the participant bond to the trading participant (excluding a person not doing brokerage business with respect to securities trading, etc. pertaining to the type of such trading qualification), the trading participant's waiver of its trading qualification and return of the participant bond to such trading participant).
2. No trading participant may claim return of its participant bond due to waiver of a trading qualification until six (6) months have elapsed from the date when the public notice was issued pursuant to the provisions of the preceding paragraph.
 3. No trading participant may claim return of its trading participant security money due to waiver of a trading qualification until two (2) months have elapsed from the date when the trading qualification was waived.
 4. Where the Exchange in particular deems it necessary, it may change the period prescribed in the preceding paragraph.
 5. Notwithstanding the provisions of the preceding three paragraphs, no trading participant may claim return of its participant bond and trading participant security money due to waiver of a trading qualification where its participant bond and trading participant security money have been applied to such deposit requirements prescribed in Paragraph 4 of Rule 5 (limited to cases where new trading qualification is obtained simultaneously with the waiver of the existing trading qualification) and Paragraph 5 of the same rule.
 6. When a trading participant waives a trading qualification, it shall return to the Exchange the trading participant certificate pertaining to such trading qualification and follow other procedures prescribed by the Exchange.

Rule 30. Fulfillment of Obligations at the Time of Waiver of Trading Qualification

A person that has waived a trading qualification shall appropriate the money or the securities to be returned to it by the Exchange for fulfilling all the liabilities it owes to the Exchange as a trading participant.

Rule 31. Trading, etc. in the Case of Waiving Trading Qualification

Where a trading participant has waived its trading qualification, the principal or its general successor may, with the approval of the Exchange, effect securities transactions, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market within the extent to which such transactions are necessary for clearing the applicant's any unsettled transactions pursuant to the provisions of Rule 57 of the Clearing/Settlement Regulations.

Rule 32. Deleted

Rule 33. Transfer, etc. of Trading Right

1. The trading right may be transferred only to a person who is going to obtain a trading qualification (excluding exchange trading authorized firms) at the same time when a trading participant who has applied for waiver of the trading qualification (excluding remote trading participants) waives the trading qualification, subject to the waiver.
2. The transfer prescribed in the preceding paragraph shall not become effective unless the waiver and the obtainment of the trading qualification are approved by the Exchange in accordance with the procedures prescribed in this chapter and Chapter 2.
3. The provisions of the preceding two paragraphs shall apply mutatis mutandis to succession of the trading right due to merger or demerger.

Rule 33-2. Switch from Exchange Trading Authorized Firm to Financial Instruments Firm and Vice Versa

1. Where a remote trading participant intends to make registration for financial instruments business, or where a trading participant who is a financial instruments firm intends to obtain permission for the exchange trading business, those participants must obtain approval from the Exchange.
2. If a trading participant intends to obtain approval in the preceding paragraph, it must make an application to the Exchange as specified by the Exchange.
3. The provisions of Rule 16, Paragraphs 3 and 4 shall apply mutatis mutandis to the approval in Paragraph 1.
4. When a remote trading participant who intends to make registration for financial instruments business has obtained the approval prescribed in Paragraph 1, said participant shall pay the Exchange an amount of money prescribed in the Exchange's rules by a day immediately prior to a day on which said participant will make said registration.

CHAPTER 5

**DISCIPLINARY ACTIONS AND REGULATORY DISPOSITION, etc.
AGAINST TRADING PARTICIPANT**

Rule 34. Disciplinary Actions Against Trading Participant

1. Where the Exchange deems that a trading participant falls under any of the following items, the Exchange may, after holding a hearing with such trading participant, take disciplinary actions prescribed in each such item:
 - (1) When a trading participant obtained its trading qualification by fraudulent means, revocation of a trading qualification(s);
 - (2) When a trading participant no longer meets the provisions of Rule 3,

- Paragraph 2, revocation of a trading qualification(s);
- (3) When a trading participant has become insolvent and fell into a status of an insurmountable difficulty in recovering from such insolvency, revocation of a trading qualification;
 - (4) When a trading participant fails to complete its contracts with the Exchange pertaining to securities trading, etc. or entrustment of brokerage for clearing of securities, etc., in the Exchange market, suspension from or restriction on securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.; the same shall apply in this paragraph) or entrustment of brokerage for clearing of securities, etc. in the Exchange market for a period of up to six (6) months or revocation of a trading qualification(s);
 - (5) When a trading participant does not pay to or deposit with the Exchange as prescribed by the Exchange money or securities that the trading participant is required to pay to or deposit with the Exchange, suspension from or restriction on securities trading, etc. or entrustment of brokerage for clearing of securities, etc. in the Exchange market for a period of up to six (6) months or revocation of a trading qualification(s);
 - (6) When a trading participant has refused, hindered or evaded the inspection specified by the provisions of Rule 19, when the trading participant has failed to submit the report or materials pursuant to the provisions of the same rule or has submitted false report or materials, or when the trading participant has refused, hindered or evaded the inspection specified by the provisions of Rule 44, Paragraph 2, fine of one hundred million (100,000,000) yen or less, admonition, suspension from securities trading, etc. or entrustment of brokerage for clearing of securities, etc. in the Exchange market for a period of up to six (6) months, or revocation of a trading qualification;
 - (7) When a trading participant has failed to make a notification pursuant to the provisions of Rule 17 or to make a report pursuant to the provisions of Rule 18, or when the trading participant has made a false notification or report, fine of one hundred million (100,000,000) yen or less, admonition, suspension from securities trading, etc. or entrustment of brokerage for clearing of securities, etc. in the Exchange market for a period of up to six (6) months, or revocation of a trading qualification(s); or
 - (8) In addition to each of the preceding items, when the trading participant has failed to abide by the Laws and Regulations (including foreign financial instruments and exchange laws and regulations if the trading participant is a foreign corporation who is a financial instruments firm or an exchange trading authorized firm; the Banking Act (Act No. 59 of 1981) and its related laws and regulations (hereinafter referred to as the “Banking Act and Regulations”) if the trading participant is a registered financial institution other than a foreign bank or an insurance company; the Banking Act and

Regulations, foreign banking laws and regulations or financial instruments and exchange laws and regulations of foreign countries if the trading participant is a foreign bank; and the Insurance Business Act (Act No. 105 of 1995) and its related laws and regulations (hereinafter referred to as the “Insurance Business Act and Regulations”) if the trading participant is an insurance company; the same shall apply hereinafter in this rule and in Rule 39), disciplinary actions or dispositions taken by the administrative authorities based on the laws and regulations, the Articles of Incorporation, the Business Regulations, the Brokerage Agreement Standards or other regulations of the Exchange or disciplinary actions or regulatory dispositions taken by the Exchange based thereon, or when the trading participant has committed an act in violation of just and equitable principles of trade, fine of one hundred million (100,000,000) yen or less, admonition, suspension from or restriction on securities trading, etc. or entrustment of brokerage for clearing of securities, etc. in the Exchange market for a period of up to six (6) months, or revocation of a trading qualification(s).

2. Notwithstanding the provisions of the preceding paragraph, where a trading participant has failed to abide by the Laws and Regulations or to follow disciplinary actions or dispositions taken by the administrative authorities based thereon, and the Exchange deems that the trading participant has seriously ruined trust in the Exchange, the Exchange may, after holding a hearing with such trading participant, take a disciplinary action(s) of a fine of up to five hundred million (500,000,000) yen, admonition, suspension from or restriction on securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market for a period of up to six (6) months, or revocation of a trading qualification(s).
3. The Exchange may, when it takes disciplinary actions or dispositions pursuant to the provisions of each of the preceding paragraphs, impose a fine concurrently with either suspension from or restriction on securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market, or admonition.

Rule 35. Regulatory Disposition Against Trading Participant

1. Where a trading participant has fallen under any of the following items, the Exchange may, after holding a hearing with such trading participant and by giving the reason therefor, take a regulatory disposition of suspension from or restriction on securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market and other measures deemed necessary by the

Exchange:

- (1) When a trading participant does not comply with request for alteration of its cooperative or control relationship with its officer or other persons pursuant to the provisions of Rule 9;
 - (2) When more than half of the voting rights (excluding those pertaining to the class of stock that does not enable its holders to exercise voting rights with respect to all the matters that are subject to resolution of a shareholders meeting, but including those pertaining to such stock to which voting rights are regarded as being attached pursuant to the provisions of Article 879, Paragraph 3 of the Companies Act) held by all shareholders or more than half of the voting rights pertaining to capital contribution thereto has come to be owned by a person who is considered inappropriate in light of operations of the Exchange market, or when the trading participant has become a subsidiary (meaning a subsidiary prescribed in Article 2, Item 3 of the Companies Act) of the person; or
 - (3) When a person who, irrespective of whether he/she is titled as a counselor, an advisor or any other, has control over a trading participant equivalent to or higher than that of a director or an executive officer, is considered inappropriate in the light of operations of the Exchange market.
2. Where a trading participant has fallen under any of the following items, the Exchange may, after holding a hearing with such trading participant, suspend or restrict the trading participant's securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market until the grounds for such suspension or restriction become void:
- (1) When the amount of capital or the total amount of capital contribution (or the total amount of funds (including reserve for redemption of funds) in the case of a mutual corporation), or the amount of net worth (net assets in the case of a registered financial institution) has become less than 300 million (300,000,000) yen;
 - (2) For a financial instruments firm, when the net capital regulation ratio has become less than 120%;
 - (3) For a registered financial institution other than an insurance company, in the case of having an overseas business base, when its non-consolidated or consolidated capital ratio pertaining to uniform international standards has become less than 4%, and in the case of not having an overseas business base, when its non-consolidated or consolidated capital ratio pertaining to domestic standards has become less than 2% (for a foreign bank, when the Exchange deems it necessary under the similar situation thereto); or
 - (4) For an insurance company, when the solvency margin ratio has become less than 100%.

- (5) For an exchange trading authorized firm, the Exchange deems that the capital adequacy has deteriorated to a degree which is the same level as specified in the preceding three items.
- (6) When an exchange trading authorized firm has become suspended from securities trading, etc. due to a disciplinary action or disposition by a foreign financial instruments exchange.
3. When a trading participant has become insolvent or is deemed likely to become insolvent, the Exchange may, after holding a hearing with the trading participant, suspend such trading participant from securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market until the grounds for such suspension become void.
4. Where a trading participant that has filed the matter set forth in Item 1 of Rule 17 with the Exchange or made an public notice with respect to a matter set forth in any of Item 2 through Item 5 of the same rule (or, in cases of a remote trading participant, has made notification to the Exchange of a matter referenced in any of Item 1 through Item 5 of the same rule) does not make an application for waiver of a trading qualification, the Exchange may, after holding a hearing with the trading participant, suspend such trading participant from securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market.
5. A trading participant that has received a regulatory actions of suspension from securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market pursuant to the provisions of the preceding two paragraphs may, with the approval of the Exchange, effect securities transactions, etc. (excluding those based on brokerage for of securities etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market within the extent to which such transactions are necessary for clearing the applicant's any unsettled transactions pursuant to the provisions of Rule 58 of the Clearing/Settlement Regulations.

Rule 36. Regulatory Actions to Be Taken When Trading Qualification is No Longer Substantial

The Exchange shall forfeit the trading qualification of a trading participant if it has fallen under any one of the following items:

- (1) The trading participant has not executed any securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) in the Exchange market for the most recent three (3) fiscal years (excluding cases in which three (3) fiscal years have not passed since the date of obtaining the

trading qualification); or

- (2) The trading participant has not installed trading participant's terminals of the electronic trading systems or secured personnel that are necessary for the execution of securities trading, etc. in the Exchange market.

Rule 37. Lifting of Regulatory Disposition of Suspension, etc. from Trading, etc. in Securities

1. A trading participant that has received a regulatory action of suspension from securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. for an unspecified period of time pursuant to the provisions of Rule 35 may, upon removal of the grounds for such action, make an application for lifting of such action with a written explanation thereof.
2. When the Exchange deems it appropriate to lift the regulatory action based on an application therefor as mentioned in the preceding paragraph, it shall approve the application.
3. When a trading participant that has received a regulatory action of suspension from securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. for an unspecified period of time pursuant to the provisions of Rule 35 is not able to obtain an approval mentioned in the preceding paragraph within one (1) year from the day of such regulatory action, the Exchange may revoke the trading qualification of such trading participant.

Rule 38. Objection to Disciplinary Action or Regulatory Action

The proviso in Rule 9, Paragraph 1 and the provisions of Paragraph 2 of the same rule shall apply mutatis mutandis to a hearing mentioned in Rule 34 or 35, and the provisions of Rule 9, Paragraphs 3 and 4 shall apply mutatis mutandis to the disciplinary actions mentioned in Rule 34 or the regulatory actions mentioned in Rule 35.

Rule 39. Regulatory Action Against Trading Participant Being Under Disciplinary Action of the Laws and Regulations

Where a trading participant has been placed under a disciplinary action of suspension of any or all of its business or of revocation of its registration or permission pursuant to the Laws and Regulations, the Exchange shall promptly suspend or restrict its securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market or revoke its trading qualification, depending upon the details of the disciplinary action.

Rule 39-2. Suspension or Restriction of Securities Trading, etc. by Trading Participant Whose Clearing Qualification Has Been Revoked, etc.

1. Where a trading participant has been placed under a regulatory action of revocation of its clearing qualification or of suspension of its undertaking of obligations in whole or in part pursuant to the Business Rules and Regulations adopted by the Clearing Corporation, the Exchange shall suspend or restrict its securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.; the same shall apply hereinafter in this rule) in the Exchange market, depending upon the details of such regulatory action.
2. The trading participant mentioned in the preceding paragraph may, with the approval of the Exchange, effect transactions, etc. in the Exchange market within the extent to which such transactions are necessary for clearing its any unsettled transactions pursuant to the provisions of Rule 58 of the Clearing/Settlement Regulations.

Rule 39-3. Suspension or Restriction of Entrustment of Brokerage for Clearing of Securities, etc. by Non-clearing Participant Whose Designated Clearing Participant Had Its Clearing Qualification Revoked.

1. Where a non-clearing participant's designated clearing participant has been placed under a regulatory action of revocation of its clearing qualification or of suspension of its undertaking of obligations in whole or in part pursuant to the Business Rules and Regulations adopted by the Clearing Corporation, the Exchange shall suspend or restrict entrustment of brokerage for clearing of securities, etc., pertaining to such non-clearing participant's securities trading, etc. in the Exchange market, depending upon the details of such regulatory action.
2. The non-clearing participant mentioned in the preceding paragraph may, with the approval of the Exchange, entrust brokerage for clearing of securities, etc., within the extent to which such entrustment is necessary for clearing its any unsettled transactions pursuant to the provisions of Rule 59 of the Clearing/Settlement Regulations.

Rule 39-4. Regulatory Action in the Case of Not Designating Designated Clearing Participant

1. Where a non-clearing participant has not designated its designated clearing participant (excluding cases where the non-clearing participant has not designated its designated clearing participant pursuant to the provisions of Rule 24-4, Paragraph 2 and where a designated clearing participant has ceased to serve as a designated clearing participant due to a special cancellation of a

clearing entrustment agreement between the designated clearing participant and the non-clearing participant), the Exchange shall suspend the trading participant from entrustment of brokerage for clearing of securities, etc. pertaining to the type of clearing qualification for which the non-clearing participant has not designated its designated clearing participant (including entrustment of brokerage for clearing of securities, etc. pertaining to the individual options contract, where the type of such clearing qualification for which the non-clearing participant has not designated its designated clearing participant is cash trading clearing qualification).

2. In the case referred to in the preceding paragraph, when a designated clearing participant has ceased to serve as a designated clearing participant due to cancellation of the clearing entrustment agreement with the non-clearing participant, such non-clearing participant may, notwithstanding the provisions of the same paragraph, with the approval of the Exchange, carry out entrustment brokerage for clearing of securities, etc., within the extent to which such entrustment is necessary for completing settlement of any unsettled transactions with respect to the non-clearing participant's transactions based on entrustment of brokerage for clearing of securities, etc. and its other transactions relevant to such entrustment.
3. In the case referred to in the preceding paragraph, a person that had been a designated clearing participant shall still be regarded as a designated clearing participant serving for such non-clearing participant, within the extent to which it completes settlement of any unsettled transactions with respect to the non-clearing participant's transactions based on entrustment of brokerage for clearing of securities, etc., and its other transactions relevant to such entrustment.

Rule 39-5. Measures Taken When Special Cancellation Is Made

1. Where a non-clearing participant has not designated a designated clearing participant (limited to cases where the designated clearing participant has ceased to serve as a designated clearing participant due to a special cancellation of a clearing entrustment agreement with the non-clearing participant), the Exchange shall suspend said non-clearing participant from entrustment of brokerage for clearing of securities, etc. pertaining to the type of the clearing qualification for which said non-clearing participant has not made such designation (including entrustment of brokerage for clearing of securities, etc. pertaining to individual options trading where the type of such clearing qualification for which the non-clearing participant has not made such designation is a cash clearing qualification).
2. Notwithstanding the preceding paragraph, the non-clearing participant in the

same paragraph may entrust brokerage for clearing of securities, etc. with the approval of the Exchange within the necessary extent to which it completes settlement of any unsettled transactions with respect to the non-clearing participant's transactions based on entrustment of brokerage for clearing of securities, etc., other transactions relevant to such entrustment, and it completes settlement of any unsettled transactions pertaining to margin trading.

3. In the case referenced in the preceding paragraph, a person that had been a designated clearing participant shall still be regarded as a designated clearing participant serving for such non-clearing participant, within the extent to which it completes settlement of any unsettled transactions with respect to the non-clearing participant's transactions based on entrustment of brokerage for clearing of securities, etc. and its other transactions relevant to such entrustment, and it completes settlement of any unsettled positions pertaining to margin trading.

Rule 40. Notification of Disciplinary Action, Regulatory Disposition or Regulatory Action, etc.

1. When the Exchange has taken a disciplinary action, regulatory disposition or regulatory action (limited to a regulatory action of suspension of or restriction on securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. or revocation of a trading qualification) pursuant to the provisions of this chapter (excluding Rule 39-3) against a general trading participant or a trading participant other than a general trading participant, the Exchange shall give notification to that effect to each trading participant, or each general trading participant and each trading participant having the same type of trading qualification as such trading participant, respectively.
2. Where a disciplinary action, regulatory disposition or regulatory action taken by the Exchange against a trading participant is suspension of or restriction on the trading participant's securities trading, etc. (excluding those based on brokerage for clearing of securities, etc.) or entrustment of brokerage for clearing of securities, etc. in the Exchange market, such trading participant must, as prescribed by the Exchange, display a notice to that effect over the counter, etc.

Rule 41. Deleted

Rule 42. Violation of Just and Equitable Principles of Trade

An act in violation of just and equitable principles of trade as prescribed in Rule 34, Paragraph 1, Item 8 means an act prescribed in the following items or other acts prescribed by the Exchange in its regulations, which ruin the credibility of the Exchange or betrays the trust in the Exchange or its trading participants in the light

of operations of the Exchange market:

- (1) Interference with or hindrance to the business of the Exchange or of other trading participants;
- (2) A fraudulent act, dishonest or improper conduct, or extremely careless or negligent business practices in connection with trading in securities, derivatives trading, foreign market derivatives trading, or any other transactions similar thereto; or
- (3) Buying up stocks and sell such shares lucratively to a person concerned with the issuing company of the stock, against his/her will, by taking advantage of being a holder of a large amount of shares of the stock, or acceptance of orders to buy shares of such stock (excluding acceptance of entrustment of brokerage for clearing of securities, etc.) based on the computation by a person who intends to carry out the similar sort of conduct thereto.

Rule 43. Recommendation to Trading Participant

1. The Exchange may, when it deems that the business or financial condition of a trading participant is inappropriate in the light of operating the Exchange market, recommend such trading participant to take appropriate measures/actions.
2. Where the Exchange made a recommendation set forth in the preceding paragraph and deems it necessary thereafter, the Exchange may require such trading participant to provide reports on measures/actions taken and/or to be taken.

**CHAPTER 6
ARBITRATION**

Rule 44. Arbitration

1. The Exchange shall arbitrate a dispute between or among trading participants with respect to securities trading, etc. or loan or other securities transactions, upon request for arbitration from the trading participant who is a party involved, as prescribed by the Exchange; provided, however, that when the Exchange deems that the dispute is unsuitable for the Exchange's arbitration in the light of the nature of the dispute or that the request for arbitration is intentionally proposed with an unreasonable purpose by a party involved, or when one of the parties involved refuses the Exchange's arbitration of the dispute, the Exchange may not arbitrate the dispute.
2. The Exchange may, where it arbitrates a dispute, investigate the trading participants who are the parties involved with respect to matters necessary for arbitration.
3. The procedure for a request for arbitration, methods of arbitration and other necessary particulars relating thereto shall be prescribed by the Exchange in its

regulations.

CHAPTER 7 MISCELLANEOUS PROVISIONS

Rule 44-2. Entrustment of Self-regulatory Operations

1. The Exchange may entrust Tokyo Stock Exchange Regulation (hereinafter referred to as “TSER”) with the activities prescribed in each of the following items out of the self-regulatory operations as prescribed in Article 84, Paragraph 2 of the Act:
 - (1) Examination of the eligibility of trading participants;
 - (2) Investigation of the compliance status by a trading participant with the Laws and Regulations, disciplinary actions or dispositions taken by the administrative authorities under the Laws and Regulations, or the Articles of Incorporation and other regulations of the Exchange or just and equitable principles of trade of the Exchange;
 - (3) Examination of the details of securities trading or derivatives trading activities executed or conducted by trading participants in the financial instruments exchange market; and
 - (4) Operations related to disciplinary actions and other regulatory actions against trading participants
2. Trading participants and persons who intend to obtain a trading qualification shall respond to the examination, investigation, report or materials submission, or inspection and hearing conducted by TSER with respect to the operations entrusted to TSER by the Exchange pursuant to the provisions of the preceding paragraph.
3. With respect to the operations entrusted to TSER by the Exchange pursuant to the provisions of Paragraph 1, the Exchange shall grant approval or effect disciplinary actions or other regulatory actions based on the result of examination or investigation conducted by TSER.

Rule 45. Entrustment of Affairs Concerning Participant Bond and Trading Participant Security Money

1. The Exchange may entrust a person designated by the Exchange with affairs concerning the participant bond and the trading participant security money prescribed by the Exchange.
2. Deposit by a trading participant of the participant bond and the trading participant security money shall, in addition to the provisions prescribed in these Regulations, be subject to the provisions prescribed, with the approval of the Exchange, by a person designated pursuant to the provisions of the preceding paragraph pertaining to the affairs set forth in the same paragraph.

Rule 46. Application to Brokerage for Clearing of Securities, etc.

The provisions of Rules 3, 23 and 23-2 shall be applied to brokerage for clearing of securities, etc. pertaining to securities trading, etc. by regarding a trading participant that entrusts brokerage for clearing of securities, etc. as a person that effects securities transactions, etc.

Rule 47. Decision of Necessary Matters Pertaining to Trading Participant

The Exchange may, in addition to the matters prescribed in these Regulations, prescribe the required handling in its regulations, where it deems necessary pertaining to the trading participants of the Exchange.