

# **RULES CONCERNING PUBLICATION, ETC. OF OVER-THE-COUNTER QUOTATION OF CORPORATE BONDS, ETC. FOR RETAIL CUSTOMERS**

(February 19, 2003)

## **(Purpose)**

**Article 1** The purpose of the Rules Concerning Publication, etc. of Over-The-Counter Quotation of Corporate Bonds, etc. for Retail Customers (hereinafter referred to as the “Rules” ) is to further promote the market participation of retail customers by publicizing the Over-The-Counter (OTC) quotation of Corporate Bonds, etc. for Retail Customers, thereby contributing to a healthy development of the public bond market as well as protection of retail investors.

## **(Definitions)**

**Article 2** In the Rules, the definition of the terms set forth in each of the following Items shall be as prescribed therein:

- (1) Corporate Bonds, etc. for Retail Customers: Among securities set forth below that are issued on a yen-denominated basis in Japan by public offering (those whose principal payable, interest, and principal redeemable are all in yen), those that are underwritten by a Regular Member Lead Managing Underwriter from an issuer in order to sell mainly to retail customers, and that are filed as such to the Association by the Regular Member Lead Managing Underwriter pursuant to the provision of Article 3;
  - (i) Securities (excluding Bonds with Share Option and short-term Corporate Bonds) that are set forth in Article 2, Paragraph 1, Item (5) of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA” ); and
  - (ii) Securities that are set forth in Article 2, Paragraph 1, Item (17) of the FIEA and that have a nature of securities (excluding Bonds with Share Option, Specified Corporate Bonds, and short-term Corporate Bonds, etc.) set forth in the same Paragraph, Item 1 through 5.
- (2) Regular Member Managing Underwriter: A Regular Member that is a Managing Underwriter (i.e., the Managing Underwriter prescribed in the provision of Article 147, Paragraph 1, Item (3) of the Cabinet Office Ordinance Concerning the Financial Instruments Business, etc. (hereinafter referred to as “FIBCOO” ) involved in the underwriting of Corporate Bonds for Retail Customers, etc.;
- (3) Regular Member Lead Managing Underwriter: A Regular Member that is a Lead Managing Underwriter (i.e., the Lead Managing Underwriter prescribed in Article 147, Paragraph 1, Item (3) of the FIBCOO) involved in the underwriting of Corporate Bonds for Retail Customers, etc.;
- (4) OTC Quotation: shall mean a quotation (median between the bid and offer prices) that is a basis for the Over-The-Counter transaction of Corporate Bonds for Retail Customers, etc. between a Reporting Regular Member and a customer at its face value of approximately 1 million yen at 15:00 of the reporting day;
- (5) Reporting Regular Member: A Regular Member that is required to report the OTC Quotation of the OTC Quotation Reporting Issues to the Association;
- (6) Reporting Exempted Regular Member: Among Regular Member Managing Underwriters, those who do not make a transaction with retail customers in principle, and that submit the reason why it is not possible to report to the Association the OCT quotation of the OTC Quotation Reporting Issue;
- (7) Designated Reporting Association Member under the Reference Statistical Prices [Yields] for Transaction system: The “Designated Reporting Association Member” under the Reference Statistical Prices [Yields] for Transaction system prescribed under Article 3, Paragraph 1 of the “Rules Concerning Publication of Over-The-Counter Trading Reference Prices, etc. and Trading Prices of Bonds” (hereinafter referred to as “OTC

Bond Reference Price Rules” );

(8) OTC Quotation Reporting Issue: The issue of Corporate Bonds for Retail Customers, etc. that is selected by the Association pursuant to the provision of Article 4 and of which OTC Quotation should be reported by the Reporting Regular Members to the Association; and

(9) Selected Issues under the Reference Statistical Prices [Yields] for Transaction system: The “Selected Issues” under the Reference Statistical Prices [Yields] for Transaction system that is prescribed in the provision of Article 3, Paragraph 2 of the OTC Bond Reference Price Rules.

**(Filing of Underwriting of Corporate Bonds for Retail Customers, etc.)**

**Article 3** Regular Member Lead Managing Underwriter must submit to the Association without delay a document describing the securities information of Corporate Bonds for Retail Customers, etc. that the Regular Member Lead Managing Underwriter intends to underwrite from the issuer for the purpose of selling it to retail customers in a prescribed form after the issuance terms and conditions of such Corporate Bonds for Retail Customers, etc. are determined.

2. In case there are two or more Regular Members who intend to underwrite, only one company is allowed to make the submittal prescribed in the preceding Paragraph as a representative.

**(Selection Criteria for OTC Quotation Reporting Issues)**

**Article 4** The Association shall select Corporate Bonds for Retail Customers, etc. that fulfill the conditions set forth in each Item below as an OTC Quotation Reporting Issue:

(1) The total issuance amount of face value of the issue is 10 billion yen or more;

(2) The issue is not listed in a Financial Instrument Exchange Market; and

(3) The issue is fixed-interest bonds with bullet maturity.

2. The Association shall select an issue as an OTC Quotation Reporting Issue that is prescribed in the provision of the preceding Paragraph by the previous business day before the issuance date of such selected issue.

**(Excluding Criteria for an Issue from OTC Quotation Reporting Issue)**

**Article 5** The Association may exclude an issue from the OTC Quotation Reporting Issues if one of the reasons set forth in the Items below is fulfilled and if a Regular Member Lead Managing Underwriter applies the exclusion in a prescribed form:

(1) In case the holding ratio of the issue by retail customers significantly decreases; and

(2) In case the outstanding amount of the issue significantly decreases due to early redemption or redemption by purchase.

2. The Association may exclude an issue from the OTC Quotation Reporting Issues if one of the conditions set forth in the Items below is fulfilled, notwithstanding the application prescribed in the preceding Paragraph:

(1) The issuer of the issue files the commencement of bankruptcy procedure, reconstruction procedure, reorganization procedure, or special liquidation;

(2) The issue loses the benefit of time;

(3) The issuer, etc. of the issue fails to perform all or part of its obligations; and

(4) Other cases where the Association deems it necessary.

**(Scope of Reporting Regular Members, etc.)**

**Article 6** The Reporting Regular Member shall be a Regular Member that falls under each Item below:

- (1) A Regular Member Managing Underwriter of an OTC Quotation Reporting Issue (excluding Reporting Exempted Regular Members);
- (2) A Regular Member who is delegated by a Regular Member Managing Underwriter of an OTC Quotation Reporting Issue (limited to the Regular Members prescribed in the provision of Article 7, Paragraph 2) and who reports to the Association the OTC Quotation of the issue; and
- (3) A Regular Member who is not a Regular Member Managing Underwriter of an OTC Quotation Reporting Issue (limited to the Regular Member prescribed in the provision of Article 7, Paragraph 3), and who reports the OTC Quotation of the issue to the Association.

2. If a Regular Member Managing Underwriter intends to be a Reporting Exempted Regular Member, it shall apply such exemption to the Association in a prescribed form that includes the reason why it cannot report the OTC Quotation of OTC Quotation Reporting Issue.

**(Handling of Reporting Regular Member Other than the Regular Member Managing Underwriter)**

**Article 7** A Regular Member Managing Underwriter may delegate the reporting of OTC Quotation of the issue to another Regular Member who handles the offering of Corporate Bonds for Retail Customers, etc. that the Regular Members Managing Underwriter intends to underwrite. Provided, however, that this Paragraph shall not apply if such issue is not selected as an OTC Quotation Reporting Issue prescribed in the provision of Article 4.

2. A Regular Member who is delegated as prescribed in the preceding Paragraph may become a Reporting Regular Member of the issue if the issue is selected as an OTC Quotation Reporting Issue pursuant to the provision of Article 4, and if the delegated Regular Member applies its intention to report the OTC Quotation of the issue to the Association in a prescribed form. Provided, however, that such application shall in principle be made by fifth business days before the issuance date of the issue.

3. A Regular Member other than the Regular Member Managing Underwriter (limited to the Designated Reporting Regular Member under the Reference Statistical Prices [Yields] for Transaction system) may become a Reporting Regular Member of the issue if the Regular Member applies the reporting of the OTC Quotation of the OTC Quotation Reporting Issue to the Association in a prescribed form. Provided, however, that such application shall in principle be made by fifth business days before the issuance date of the issue.

**(Commencement Date, etc. of Reporting of OTC Quotation of OTC Quotation Reporting Issue by Reporting Regular Member)**

**Article 8** A Reporting Regular Member shall in principle start reporting the OTC Quotation of an OTC Quotation Reporting Issue on the issuance date of the issue.

2. A Reporting Regular Member shall in principle continue reporting the OTC Quotation of the OTC Quotation Reporting Issue by five business days prior to the redemption date of the issue.

**(Reporting Method, etc. of OTC Quotation of OTC Quotation Reporting Issue by Reporting Regular Member)**

**Article 9** A Reporting Regular Member shall in principle report the OTC Quotation of an OTC Quotation Reporting Issue to the Association by 17:45 on every business day.

2. The OTC Quotation reported by a Reporting Regular Member to the Association shall be the yield for simple interest in units of 0.001%.

3. The OTC Quotation reported by a Reporting Regular Member to the Association must be proper and

appropriate in light of the trend of OTC bond market, creditworthiness of an issuer, and sale and purchase condition of the Regular Member.

4. If a Reporting Regular Member finds it difficult to report a proper and appropriate OTC Quotation as prescribed in the preceding Paragraph, it may omit reporting the OTC Quotation of the issue by notifying non-reporting to the Association in a prescribed form without delay.

**(Exception of OTC Quotation Reporting by Reporting Regular Member Who is also a Designated Reporting Association Member under the Reference Statistical Prices [Yields] for Transaction system)**

**Article 10** If a Reporting Regular Member who is also a Designated Reporting Association Member under the Reference Statistical Prices [Yields] for Transaction system finds that its reporting price of the selected issue under the Reference Statistical Prices [Yields] for Transaction system is the same as the OTC Quotation of the OTC Quotation Reporting Issue, it shall use such reporting price as the report of OTC Quotation as prescribed in the provision of the preceding Article.

2. A Reporting Regular Member who intends to be granted the exception prescribed in the preceding Paragraph shall in principle make an application to the Association in a prescribed form by fifth business days before the issuance date of the issue.

**(Exception of OTC Quotation Reporting by Reporting Regular Member)**

**Article 11** A Reporting Regular Member who determines that the average or median of the Reference Statistical Prices [Yields] for Transaction as a base price for transactions with customers may omit the reporting of the OTC Quotation of an OTC Quotation Reporting Issue which is also the selected issue under the Reference Statistical Prices [Yields] for Transaction system.

2. A Reporting Regular Member who intends to be granted the reporting exception prescribed in the preceding Paragraph shall in principle make an application to the Association in a prescribed form by fifth business days before the issuance date of the issue.

**(Publication, etc. of OTC Quotation)**

**Article 12** The Association shall receive the report of OTC Quotation of the OTC Quotation Reporting Issues from Reporting Regular Members and publicize the OTC Quotation according to the categories in the following items, as set forth in each corresponding item. Provided, however, that the Association shall not disclose the name of the Reporting Regular Member in each OTC Quotation Reporting Issue.

(1) OTC Quotation Reporting Issues that are also Selected Issues under the Reference Statistical Prices [Yields] for Transaction system

Publication shall be based on the Reference Statistical Prices [Yields] for OTC bond transactions. The relevant issues shall be publicized with a mark indicating that they are for retail customers in the publication form for Selected Issues under the Reference Statistical Prices [Yields] for Transaction system.

(2) OTC Quotation Reporting Issues other than those that fall under the preceding item

Publication shall be made pursuant to the form for the publication of Selected Issues under the Reference Statistical Prices [Yields] for Transaction system.

2. The OTC Quotation information prescribed in the preceding Paragraph shall be the OTC Quotation reported by two or more Reporting Regular Members at the time of the reporting deadline prescribed in the provision of Article 9, Paragraph 1. If the number of Reporting Regular Members is less than two, the OTC Quotation shall not be publicized. Provided, however, that regarding issues that are underwritten by a single managing underwriter, the OTC Quotation shall be publicized even if the reporting is made by only such single Regular Member Managing Underwriter.

3. The OTC Quotation shall be publicized, in principle, at 6:30 p.m. of the reporting day.

**(Commencement Date, etc. of Publicizing OTC Quotation Information)**

**Article 13** The commencement of publicizing the OTC Quotation information shall in principle be the next business day of the issuance date of the OTC Quotation Reporting Issue.

2. The last day of publicizing the OTC Quotation shall in principle be four business days prior to the redemption date of the OTC Quotation Reporting Issue.

**(Filing of OTC Quotation Reporting Manager, Etc. to the Association)**

**Article 14** A Reporting Regular Member shall designate one manager responsible for OTC Quotation reporting and two staffs who are in charge of OTC Quotation reporting, and file it to the Association in a prescribed form.

2. When a Reporting Regular Member changes a manager responsible for OTC Quotation reporting and/or staffs who are in charge of OTC Quotation reporting, it shall file it without delay to the Association in a prescribed form.

**SUPPLEMENTARY PROVISIONS [Omitted]**

This amendment shall come into effect on April 1, 2022 and shall apply from the reports of the same date and the announcements pertaining to the reports. Provided, however, that the provisions after the revision shall not apply to the OTC Quotation Reporting Issues for which the last announcement date has passed prior to the date pursuant to the provision of Article 13, Paragraph 2 prior to the amendment.

<p>This translation is solely for the convenience of those interested therein, and accordingly all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text</p>
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