

RULES CONCERNING HANDLING OF SALE AND PURCHASE OF BONDS, ETC. WITH DELAYED SETTLEMENT

(July 30 1992)

(Purpose)

Article 1 The purpose of the Rules concerning Handling of Sale and Purchase of Bonds, etc. with Delayed Settlement (hereinafter referred to as “Rules”) is to prescribe the necessary matters with regard to the conclusion of an agreement on sale and purchase, the scope of bonds, etc. subject to the sale and purchase, and a transaction method, etc. concerning the over-the-counter transaction of bonds, etc. conducted by an Association Member and whose period from the contract date (limited to the date after the issuance date; the same shall apply hereinafter) to the delivery date exceeds one month (hereinafter referred to as the “Sale and Purchase with Delayed Settlement”), in order to conduct fair and smooth Sale and Purchase with Delayed Settlement, thus contributing to protecting investors.

(Compliance with Laws and Regulations, Rules, etc.)

Article 2 When conducting a Sale and Purchase with Delayed Settlement with a customer (including another Association Member; the same shall apply hereinafter), an Association Member must comply with the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”) and other related laws and regulations, etc. in addition to the Rules.

(Conclusion of Agreement on Sale and Purchase)

Article 3 When conducting a Sale and Purchase with Delayed Settlement, the Association Member shall conclude the “Agreement on the Sale and Purchase of Bonds, etc. with Delayed Settlement” (hereinafter referred to as the “Individual Transaction Agreement”) with a customer every time the execution is made, and manage/retain such agreement.

2. If an Association Member concludes the “Master Agreement on the Sale and Purchase of Bonds, etc. with Delayed Settlement” (hereinafter referred to as the “Master Agreement”) and “Consent Letter concerning the Master Agreement on the Sale and Purchase of Bonds, etc. with Delayed Settlement” (hereinafter referred to as the “Consent Letter”) with a customer in advance regarding the Sale and Purchase with Delayed Settlement, the Association Member may substitute an “Individual Transaction Statement concerning the Master Agreement on the Sale and Purchase with Delayed Settlement” (hereinafter referred to as “Individual Transaction Statement”) for the conclusion of agreement on sale and purchase using the Individual Transaction Agreement prescribed in the preceding Paragraph.

3. Notwithstanding the preceding two Paragraphs, an Association Member is not required to conclude an Individual Transaction Agreement or deliver an Individual Transaction Statement if all the requirements set forth in each Item below are fulfilled:

(1) The customer fulfills either of the following requirements;

- (i) The customer is a Professional Investor (Professional Investors prescribed in the provision of Article 2, Paragraph 31 of the FIEA) (excluding those who are regarded as customers other than Professional Investors prescribed in the provision of Article 34-2, Paragraph 5 of the FIEA, and including those who are regarded as Professional Investors prescribed in the provision of Article 34-3, Paragraph 4 of the FIEA (including the cases where it applies mutatis mutandis to Article 34-4, Paragraph 6 of the FIEA); or
- (ii) The customer concluded a Discretionary Investment Contract prescribed in the provision of Article 2, Paragraph 8, Item (12)-(ii) of the FIEA with an Association Member who conducts the investment management business prescribed in the provision of Article 28, Paragraph 4 of the FIEA.

(2) An Association Member agrees with a customer in advance in writing or via a methods using information

technology that the Association Member does not need to conclude the Individual Transaction Agreement with the customer or deliver the Individual Transaction Statement to the customer; and

- (3) An Association Member is equipped with a system to immediately respond to an inquiry from a customer on the details of the Sale and Purchase with Delayed Settlement.

4. An Association Member shall describe the matters listed in each of following Items on the Individual Transaction Agreement prescribed in the provision of Paragraph 1:

- (1) Whether it is a sale or purchase;
- (2) Customer name;
- (3) Contract date;
- (4) Issue subject to the transaction (describe the matters that can identify the issue);
- (5) Face value;
- (6) Contract unit price, contract amount, accrued interest, and amount to be delivered. However, if due to their nature the securities subject to the transaction do not have the contract unit price and accrued interest, the description of these matters may be omitted;
- (7) Delivery date; and
- (8) Measures taken at the time of non-fulfillment of a contract.

5. The matters listed in each of the following Items shall be described on the Master Agreement under Paragraph 2:

- (1) How to conclude the individual agreement on the Sale and Purchase with Delayed Settlement;
- (2) Timing of transfer of rights; and
- (3) Measures taken at the time of non-fulfillment of a contract.

6. In case the conclusion of Individual Transaction Agreement or the delivery of Individual Transaction Statement is omitted pursuant to Paragraph 3, an Association Member shall confirm the matters set forth in the provisions in the respective Items of Paragraph 4 by a method agreed with a customer.

7. An Association Member may omit the preparation of the agreements prescribed in the provision of Paragraph 1 if a transaction is conducted with a counterparty who is also an Association Member, and is established for the purpose of sale and purchase of bonds, or intermediary of sale and purchase of bonds.

(Customer subject to the Sale and Purchase)

Article 4 A customer of an Association Member in the Sale and Purchase with Delayed Settlement shall be a listed company or a corporation with similar status, and shall be limited to those who have credibility from the economic and social viewpoints. When choosing a customer, the Association Member shall fully consider the financial condition, financing, and profitability of the customer.

(Scope of the Bonds, etc. subject to the Sale and Purchase)

Article 5 An Association Member may handle the bonds, etc. listed in each of the following Item in the Sale and Purchase with Delayed Settlement:

- (1) National government bonds (national government bonds set forth in the provision of Article 2, Paragraph 1,

- Item (1) of the FIEA);
- (2) Municipal bonds (municipal bonds set forth in the provision of Article 2, Paragraph 1, Item (2) of the FIEA);
 - (3) Debentures issued by a juridical person under a special act (debentures set forth in the provision of Article 2, Paragraph 1, Item (3) of the FIEA);
 - (4) Specified corporate bonds (specified bonds set forth in the provision of Article 2, Paragraph 1, Item (4) of the FIEA);
 - (5) Corporate bonds (bonds set forth in the provision of Article 2, Paragraph 1, Item (5) of the FIEA, excluding the bonds with share option);
 - (6) Investment corporation debentures (investment corporation debentures set forth in the provision of Article 2, Paragraph 1, Item (11) of the FIEA);
 - (7) Bonds issued by a Foreign State or foreign person and having the same nature as prescribed in each Item above;
 - (8) Domestic commercial paper (CP) (promissory notes set forth in the provision of Article 2, Paragraph 1, Item (15) of the FIEA, and securities or certificates set forth in the provision of Item (17) of the same Paragraph that have a nature of the promissory notes set forth in Item (15) of the same Paragraph, and that are issued in Japan);
 - (9) Foreign certificate of deposit (CD) (negotiable certificate of deposit set forth in the provision of Article 1, Item (1) of the Enforcement Ordinance of the Financial Instruments Exchange Act);
 - (10) Foreign commercial paper (CP) (securities or certificate set forth in the provision of Article 2, Paragraph 1, Item (17) of the FIEA that have a nature of the promissory notes set forth in the provision of the same Paragraph, Item (15), and that are issued in a foreign country); and
 - (11) Foreign loan trust beneficiary certificate (securities or certificate set forth in the provision of Article 2, Paragraph 1, Item (18) of the FIEA).

2. When an Association Member conducts Sale and Purchase with Delayed Settlement, the Association Member shall be careful about the right and obligation relationship of the Bonds, etc. subject to the sale and purchase, and fully consider the liquidity and price trend, etc. of the issue.

(Sale and Purchase Contract Unit Price or Contract amount)

Article 6 When an Association Member determines with a customer the sale and purchase contract unit price at the time of the sale and purchase of the bond with delayed settlement., the Association Member shall determine such price based on the “Rules Concerning Publication of Over-The-Counter Trading Reference Prices, etc. and Trading Prices of Bonds,” and the “Rules Concerning Foreign Securities Transactions.”

2. When an Association Member conducts the Sale and Purchase with Delayed Settlement with a customer of domestic CP, foreign CD, foreign CP, or foreign loan trust beneficiary certificate, its contract amount at the time of sale and purchase shall be proper in consideration of the interest rate level and financial market condition, etc.

(Period)

Article 7 When an Association Member conducts a Sale and Purchase with Delayed Settlement, the period from the contract date to the delivery date shall not exceed six months.

(Outstanding Amount)

Article 8 When an Association Member conducts a Sale and Purchase with Delayed Settlement, the Association

Member shall not conduct excessive Sale and Purchase with Delayed Settlement in light of its asset condition, and shall be careful not to concentrate on a single customer excessively.

(Establishment of Internal Rules)

Article 9 An Association Member shall establish internal rules for Sale and Purchase with Delayed Settlement in order to ensure soundness of management.

(Delivery Through Electromagnetic Methods)

Article 10 An Association Member may provide matters that should be described in the Individual Transaction Statement under Article 3, Paragraph 2 by a method using an electronic information processing organization or other methods using information technology as an alternative to the delivery of such Individual Transaction Statement pursuant to the “Rules Concerning Handling of Documents Delivery, etc. through Electromagnetic Methods.” In such case, the Association Member shall be deemed to have delivered such Individual Transaction Statement.

(Agreement, etc. Through Electromagnetic Methods)

Article 11 An Association Member may conclude the Individual Transaction Agreement prescribed in the provision of Article 3, Paragraph 1 or the Master Agreement and the Consent Letter prescribed in the provision of Article 3, Paragraph 2 by a method using an electronic information processing organization or other methods using information technology as an alternative to the conclusion of such Master Agreements and the Consent Letter. In such case, the Association Member shall be deemed to have concluded such Master Agreements and the Consent Letter.

2. In case an Association Member who concludes the Master Agreements and the Consent Letter pursuant to the provision of the preceding Paragraph receives an inquiry from a customer on the details of the Master Agreements or the Consent Letter, the Association Member must reply with the details of the Master Agreements or the Consent Letter, without delay, in writing, orally, by telegraph, by telephone, by a method using an electronic information processing organization, or by other methods to the customer who made such inquiry.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) This rule is based on the April 1, 2010 edition of the original Japanese text.

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.
