

RULES CONCERNING TRANSACTIONS, ETC., OF UNLISTED SECURITIES OVER PROPRIETARY TRADING SYSTEMS (PTS)

(June 30, 2023)

(Purpose)

Article 1 The purpose of the Rules Concerning Transactions, Etc., of Unlisted Securities over Proprietary Trading Systems (PTS) is to achieve fair and smooth transactions of Unlisted Securities on a Proprietary Trading System by providing for necessary matters concerning transactions of Unlisted Securities on a Proprietary Trading System operated by Regular Members, thereby contributing to the protection of investors and the sound development of a secondary market pertaining to Unlisted Securities.

(Definitions)

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

- (1) Securities
Securities prescribed in Article 3, Item 1 of the Articles of Association.
- (2.) Unlisted Securities
Securities not listed on any financial instruments exchange market in Japan.
- (3) Unlisted PTS Issues
Unlisted Securities which fall under Securities set forth in following and are subject to transactions on a Proprietary Trading System (meaning a market in which the purchase and sale of securities are conducted through the acts (acts set forth in Article 2, Paragraph 8, Item 10 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”) excluding acts conducted via methods for deciding the trading price set forth in sub-items (b) and (c) of that item; the same shall apply hereinafter) established by a Regular Member itself:
 - (a) Tokenized Securities (Tokenized Securities prescribed in Article 2, Item 10 of the Rules Concerning Solicitation for Investments and Management of Customers, Etc., by Association Members; the same shall apply hereinafter); or
 - (b) Over-the-Counter Securities, etc. (Over-the-Counter Securities, etc., prescribed in Article 2, Item 5 of the Rules Concerning Solicitation of Professional Investors for Investment in Over-the-Counter Securities, Etc., (hereinafter referred to as the “Rules for Solicitation of Professional Investors”) that are Securities for Professional Investors (Securities for Professional Investors prescribed in Article 2, Item 6 of the Rules for Solicitation of Professional Investors; the same shall apply hereinafter).
- (4) Transaction of Unlisted PTS Issues
Trading of Unlisted PTS Issues conducted over a Proprietary Trading System.
- (5) Intermediary Services, etc.
Intermediary, brokerage or agency service.
- (6) Unlisted PTS Operation Services
Operations of a Regular Member conducting Transaction of Unlisted PTS Issues or Intermediary Services, etc., on a Proprietary Trading System established by the Regular Member itself.

- (7.) Unlisted PTS Trading Services
Operations of an Association Member conducting Transaction of Unlisted PTS Issues or Intermediary Services, etc. for the transaction, or the brokerage services for the entrustment of the Intermediary Services, etc., on a Proprietary Trading System established by another Regular Member.
- (8) Unlisted PTS Operating Member
A Regular Member who conducts Unlisted PTS Operation Services under the authorization of Proprietary Trading System Operations (Proprietary Trading System Operations prescribed in Article 1, Paragraph 4, Item 9 of the Cabinet Office Ordinance on Financial Instruments Business, etc.).
- (9) Unlisted PTS Trading Association Member
An Association Member engaging in Unlisted PTS Trading Services.
- (10) Issuing Entity
Issuer of Unlisted PTS Issues (“issuer” prescribed in Article 2, Paragraph 5 of the FIEA).

(Compliance with Laws and Regulations)

Article 3 In addition to these Rules, Association Members must comply with the FIEA and other relevant laws and regulations when conducting Unlisted PTS Operation Services or Unlisted PTS Trading Services.

(Establishment of Internal Rules)

Article 4 An Unlisted PTS Operating Member must establish internal rules setting forth the matters listed in the following items when conducting Unlisted PTS Operation Services:

- (1) Matters concerning examination of appropriateness of Unlisted PTS Issues;
- (2) Matters concerning standards for abolishing to handle Unlisted PTS Issues;
- (3) Matters concerning contracts with Issuing Entity;
- (4) Matters concerning timely provision of information;
- (5) Matters concerning implementation of trade examination;
- (6) Matters concerning public disclosure, etc., of price information;
- (7) Matters concerning measures against Issuing Entity and measures, etc. to suspend trading of an Unlisted PTS Issue;
- (8) Matters concerning delivery settlement;
- (9) Matters concerning measures to prevent confusion with Securities listed on a financial instruments exchange market in Japan (hereinafter referred to as “Listed Securities”); and
- (10) Matters to be observed by Unlisted PTS Trading Association Member.

2. In conducting Unlisted PTS Trading Services, Unlisted PTS Trading Association Member must observe the matters provided for in the internal rules established by the Unlisted PTS Operating Member

pursuant to Item 10 of the preceding Paragraph.

(Publication of Details of Operations)

Article 5 An Unlisted PTS Operating Member must publicize the details of its Unlisted PTS Operating Services by posting them on its website or by other means using the Internet (limited to methods that enable investors to easily access them at all times).

(Examination of Appropriateness of Unlisted PTS Issues)

Article 6 When newly adding Unlisted Securities to an Unlisted PTS Issue, an Unlisted PTS Operating Member must examine the appropriateness of the Unlisted Securities in advance according to the categories set forth in the following items in terms of the matters set forth in each item:

- (1) Corporate Finance Instruments (Unlisted Securities that fall under Article 1, Items 1(a) to 1(m) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.)
 - (a) The Issuing Entity is required to submit an annual securities report (“annual securities report” prescribed in Article 24, Paragraph 1 of the FIEA; the same shall apply hereinafter) pursuant to the same provision, or provide or publicize information on the issuer (“information on the issuer” prescribed in Article 27-32, Paragraph 1 of the FIEA; the same shall apply hereinafter) pursuant to the same provision;
 - (b) The existence of the Issuing Entity’s operations and the system for business continuity;
 - (c) The corporate governance and internal control system of the Issuing Entity;
 - (d) The financial status of the Issuing Entity;
 - (e) The status of development of the system for the submission of an annual securities report, or publication of the information on the issuer, and timely provision of information on the issuer by the Issuing Entity in an appropriate manner;
 - (f) That the Issuing Entity has no relationship with antisocial forces (“antisocial force” prescribed in Article 15 of the Rules for Enforcement of the Articles of Association; the same shall apply hereinafter);
 - (g) The matters related to the transfer of rights, etc., of the Unlisted Securities (limited to Tokenized Securities); and
 - (h) Other matters that the Unlisted PTS Operating Member deems necessary from the perspective of protecting investors.
- (2) Asset Finance Instruments (Unlisted Securities that fall under Article 1, Items 1, 2, 3 to 4-4, 6, and 6-2 of the Cabinet Office Ordinance on Disclosure of the Details, etc., of Specified Securities)
 - (a) The Issuing Entity is required to submit an annual securities report pursuant to Article 24, Paragraph 1 of the FIEA or provide or publicize information on the issuer pursuant to Article 27-32 of the same Act;
 - (b) The rationality and appropriateness of the asset securitization scheme;
 - (c) The corporate governance and internal control system of the Issuing Entity and the Management Company, etc. (those equivalent to the asset management company or

investment advisory company, etc., related to the relevant Unlisted Securities; the same shall apply hereinafter);

- (d) The status of conflict of interest between the beneficiaries, etc., and the Issuing Entity and Management Company, etc.;
- (e) The financial conditions of the Issuing Entity and Management Company, etc.;
- (f) The status of development of the system for the submission of an annual securities report, or publication of the information on the issuer, and timely provision of information on the issuer by the Issuing Entity and Management Company, etc., in an appropriate manner;
- (g) That the Issuing Entity and Management Company, etc., have no relationship with antisocial forces;
- (h) The matters related to the transfer of rights, etc., of the Unlisted Securities (limited to Tokenized Securities); and
- (i) Other matters that the Unlisted PTS Operating Member deems necessary from the perspective of protecting investors.

(Conclusion of a Contract with an Issuing Entity)

Article 7 When newly adding Unlisted Securities to an Unlisted PTS Issue, an Unlisted PTS Operating Member must enter into a contract in advance with the Issuing Entity of the Unlisted Securities regarding the matters set forth in the following items:

- (1) Matters concerning the timely provision of information by the Issuing Entity to the Unlisted PTS Operating Member;
- (2) Matters concerning the publication of information that is subject to the timely provision on the website, etc., of the Issuing Entity or the Management Company, etc.;
- (3) Matters concerning measures to be taken when the Issuing Entity does not provide timely information to the Unlisted PTS Operating Member or when the content of the information provided is inappropriate;
- (4) A statement to the effect that if the Management Company, etc., possesses the information necessary for the Issuing Entity to provide timely information to the Unlisted PTS Operating Member, the Issuing Entity will gain cooperation from the Management Company, etc.; and
- (5) In addition to the matters set forth in the preceding items, a statement to the effect that the Issuing Entity will comply with the rules established by the Unlisted PTS Operating Member.

(Timely Provision of Information by the Issuing Entity)

Article 8 In the contract under the preceding Article, an Unlisted PTS Operating Member must stipulate the matters set forth in each of the following items with respect to the timely provision of information to the Unlisted PTS Operating Member by the Issuing Entity pursuant to Item 1 of the same Article:

- (1) The following matters for cases where timely provision of information is required from the Issuing Entity to the Unlisted PTS Operating Member:

- (a) For Securities set forth in Article 2, Item 3 (a), cases where an extraordinary report must be submitted based on Article 24-5, Paragraph 4 of the FIEA;
 - (b) For Securities set forth in Article 2, Item 3 (b), cases where the publicized specified information on securities (meaning the Specified Information on Securities prescribed in Article 2, Item 7 of the Rules Concerning Solicitation of Professional Investors (excluding those pertaining to Part I of the forms set forth in the items of Article 6, Paragraph 3 of the Rules Concerning Solicitation of Professional Investors); the same shall apply hereinafter) or information on the issuer (hereinafter in this Article referred to as “Specified Information on Securities, etc.”) falls under Article 27-31, Paragraph 4 or Article 27-32, Paragraph 3 of the FIEA;
 - (c) Cases where a fact that has a material influence on investors’ investment decisions has been determined or has occurred (excluding the cases specified in (a) or (b)); and
 - (d) In addition to the cases specified in (a) through (c), cases where the Unlisted PTS Operating Member deemed necessary.
- (2) The following matters require timely provision of information from the Issuing Entity to the Unlisted PTS Operating Member:
- (a) For cases falling under (a) in the preceding Item, the matters to be included in the extraordinary report to be submitted;
 - (b) For cases falling under (b) of the preceding Item, the details of the information to be corrected;
 - (c) For cases falling under (c) of the preceding Item, the details of the facts that have a material influence on the investor’s investment decision; and
 - (d) For cases falling under (d) of the preceding Item, matters deemed necessary by the Unlisted PTS Operating Member.
- (3) Time limit for providing information to the Unlisted PTS Operating Member from the Issuing Entity

2. An Unlisted PTS Operating Member must promptly make the details of the timely information it has received from the Issuing Entity available for public inspection by posting them on its website or by other means using the Internet (limited to methods that enable investors to easily access them at all times).

3. Unlisted PTS Operating Member shall endeavor to ensure the appropriateness of the details of information made available for public inspection pursuant to the preceding Paragraph.

(Publication, etc., of Price Information)

Article 9 An Unlisted PTS Operating Member must publicize the contract price, final quotation (unless the final quotation is not formed by the trading price determination method of the Unlisted PTS Operating Member; the same shall apply hereinafter), and the trading volume of the Unlisted PTS Issues on its website or by other means using the Internet (limited to methods that enable investors to easily access them at all times) every business day.

2. An Unlisted PTS Operating Member must develop a system to promptly present the latest contract price, etc. (contract price or quotation information (meaning the best quotation and volume); the same shall apply hereinafter) of an Unlisted PTS Issue when requested to provide the contract price, etc., by an Unlisted PTS Trading Association Member.

3. An Unlisted PTS Trading Association Member must develop a system to promptly present the latest contract price, etc., of an Unlisted PTS Issue (limited to those traded through the Unlisted PTS Trading Services conducted by the Unlisted PTS Trading Association Member; the same shall apply in the following Article and Article 13, Paragraph 2) when requested to provide the contract price, etc., by a customer.

(Prevention of Unfair Transactions)

Article 10 An Unlisted PTS Trading Association Member must develop and maintain a system that prevents the transactions set forth in the following items when conducting Unlisted PTS Trading Services:

- (1) Transactions that are deemed to be excessive in relation to the trading status of the Unlisted PTS Issue;
- (2) Transactions conducted by unlawful means such as fictitious trading or wash trading;
- (3) Transactions such as purchase of Unlisted PTS Issues by sequentially raising quotations or purchase prices, or sale of Unlisted PTS Issues by sequentially lowering quotations or sales prices, with the objective of misleading others, artificially disguising a boom or exerting an unfair impact on the market, or creating fictitious quotations that do not reflect actual market conditions; and
- (4) Transactions such as purchase or sale without intention to contract, which are conducted with the objective to induce other investors to enter into purchase and sale transactions by misleading them into believing that a market price has been formed naturally.

(Implementation of Trade Examination)

Article 11 Unlisted PTS Operating Member must appropriately conduct trade examination for transactions of Unlisted PTS Issues pursuant to the internal rules set forth under Article 4, Paragraph 1, Item 5.

2. When an Unlisted PTS Operating Member recognizes, as a result of conducting a trade examination pursuant to the preceding Paragraph, that a transaction falls under or is likely to lead to unfair transaction (meaning transactions that the Unlisted PTS Operating Member recognizes as unfair transactions in addition to those set forth in the items of the preceding Article), it must alert the Unlisted PTS Trading Association Member who has conducted Intermediary Service, etc. for the transaction, and if no improvement is made thereafter, Unlisted PTS Operating Member must suspend the Unlisted PTS Operation Services conducted with the Unlisted PTS Trading Association Member or take other appropriate measures.

(Measures to Suspend Trading)

Article 12 Unlisted PTS Operating Member must appropriately take measures to suspend trading pursuant to the internal rules set forth under Article 4, Paragraph 1, Item 7.

(Measures to Prevent Confusion with Listed Securities)

Article 13 Unlisted PTS Operating Member must make it clear on its website that Unlisted PTS Issues are not Listed Securities.

2. Unlisted PTS Trading Association Member must explain to customers that Unlisted PTS Issues are not Listed Securities.

(Special Provisions, etc., on Securities for Professional Investors)

Article 14 Unlisted PTS Trading Association Member must not accept a request for the purchase of Securities for Professional Investors through a Proprietary Trading System from any customer who is not a Professional Investor (professional investors prescribed in Article 2, Paragraph 31 of the FIEA (excluding those deemed to be customers other than Professional Investors pursuant to Article 34-2, Paragraph 5 of the FIEA, but including those deemed to be Professional Investors pursuant to Article 34-3, Paragraph 4 of the Act (including the case where it is applied mutatis mutandis pursuant to Article 34-4, Paragraph 6 of the Act)).

2. Notwithstanding the provision of Article 6, in the case where the Unlisted PTS Operating Member newly adds an investment trust, etc. (investment trust, etc., prescribed in Article 2, Item 4 of the Rules Concerning Solicitation of Professional Investors), which is Securities for Professional Investors, to the Unlisted PTS Issues, it must examine the appropriateness of the investment trust, etc., in accordance with the categories set forth in the following items, in advance:

- (1) Investment Trust Beneficiary Certificates (Investment Trust Beneficiary Certificates prescribed in Article 2, Item 2 of the Rules Concerning Solicitation of Professional Investors)
 - (a) The status of development of the system for the submission of an annual securities report, or publication of the information on the issuer, and timely provision of information by the Issuing Entity in an appropriate manner;
 - (b) The matters related to the transfer of rights, etc., of the Investment Trust Beneficiary Certificates (limited to Tokenized Securities); and
 - (c) Other matters that the Unlisted PTS Operating Member deems necessary from the perspective of protecting investors.
- (2) Investment securities, etc. (investment securities, etc., prescribed in Article 2, Item 3 of the Rules Concerning Solicitation of Professional Investors)
 - (a) The corporate governance and internal control system of the Issuing Entity and the Management Company, etc.;
 - (b) The status of conflict of interest between the beneficiaries, etc., and the Issuing Entity and Management Company, etc.;
 - (c) The status of development of the system for the submission of an annual securities report, or publication of the information on the issuer, and timely provision of information by the Issuing Entity and Management Company, etc., in an appropriate manner;
 - (d) That the Issuing Entity and Management Company, etc., have no relationship with antisocial forces;
 - (e) The matters related to the transfer of rights, etc., of the investment securities (limited to Tokenized Securities); and
 - (f) Other matters that the Unlisted PTS Operating Member deems necessary from the perspective of protecting investors.

3. When adding Securities for Professional Investors to an Unlisted PTS Issue, an Unlisted PTS Operating Member must enter into a contract in advance with the Issuing Entity for the Securities for Professional Investors regarding the matters set forth in the following items:

- (1) A statement to the effect that the information on the issuer (if no information on the issuer has

been prepared, specified securities information) will be published by the method specified in Article 7, Paragraph 2, Item 2 of the Rules Concerning Solicitation of Professional Investors (Article 6, Paragraph 2, Item 2 of the same Rules in the case of specified securities information) (excluding the method of publication on the website of the Handling Association Member) before the Unlisted PTS Operating Member adds the Securities for Professional Investors to the Unlisted PTS Issues; and

- (2) A statement to the effect that the information on the issuer will be published by the method specified in Article 7, Paragraph 2, Item 2 of the Rules Concerning Solicitation of Professional Investors (excluding the method of publication on the website of the Handling Association Member) while the Securities for Professional Investors are Unlisted PTS Issues.

(Mutatis Mutandis Application to Unlisted PTS Operating Members)

Article 15 The provisions of Article 9 Paragraph 3, Article 10, and Paragraph 1 of the preceding Article shall apply mutatis mutandis to Unlisted PTS Operating Member who conduct transactions, within the Unlisted PTS Operation Services, where Intermediary Services, etc., are not conducted by Unlisted PTS Trading Association Member. In this case, the term “Unlisted PTS Trading Association Member” in these provisions shall be deemed to be replaced with “Unlisted PTS Operating Member” and the term “Unlisted PTS Trading Services” shall be deemed to be replaced with “Unlisted PTS Operation Services.”

SUPPLEMENTARY PROVISIONS

These Rules shall come into effect as of July 1, 2023.