

## Clearing and Settlement Business Regulations

### Section 1. Purpose

1. This Business Regulations shall stipulate the necessary matters concerning the clearing and settlement of securities trading in the Exchange market pursuant to the provisions of Section 2, Paragraph 2 of the Trading Regulations.
2. Any amendment to this Business Regulations shall be made by resolution of the board of directors; provided, however, that this shall not apply to minor amendments.

### Section 2. Novation

When a securities transaction is effected pursuant to the provisions of the Exchange, such transaction shall be replaced by novation by two transactions, one between the selling trading participant and the Exchange as buyer, as principals to such transaction, and one between the buyer and the Exchange as seller, as principals to such transaction.

### Section 3. Settlement Method and Settlement Cutoff Time

1. Settlement of securities transactions effected in the Exchange market shall be conducted by the DVP method, and the settlement cutoff time shall be as defined in each of the following items.
  - (1) As for payment and receipt of money, paying trading participant shall complete payment of money to the Exchange by 9.30 a.m., and receiving trading participant shall receive money from the Exchange after 12 p.m.
  - (2) As for delivery and receipt of securities, delivering trading participant shall complete delivery of securities to the Exchange by 9.30 a.m., and receiving trading participant shall receive securities from the Exchange after 12 p.m.

### Section 4. Payment and Receipt of Money and Securities for DVP Settlement

1. The amount of money and the quantity of securities to be delivered or received by a trading participant for DVP settlement shall be as prescribed in each of the following items:
  - (1) The amount of money shall be the difference between the total value of the securities pertaining to sales and the total value of securities pertaining to purchases in respect of securities transactions of the trading participant subject to settlement on the day.
  - (2) The quantity of the securities shall be the difference between the quantity for delivery and that for receipt in respect of each issue for transactions of the trading

participant subject to settlement on the day.

#### Section 5. Settlement Method

1. Payment and receipt of money for settlement of securities transactions shall be made between trading participants and the Exchange. The method of payment and receipt of money shall be as prescribed by the Exchange.
2. Delivery and receipt of securities for settlement of securities transactions shall be made between trading participants and the Exchange via book-entry transfer at the Exchange.

#### Section 6. Settlement by Due Bill

1. In the case where a delivering trading participant was unable to deliver securities by the DVP settlement cutoff time due to unavoidable reasons, and has proven such reasons to the Exchange, and has obtained the approval of the Exchange, the delivering participant may issue a due bill (hereinafter referred to as "DB") to the Exchange, and the Exchange may deliver the DB to the receiving trading participant designated by the Exchange as the trading participant to receive the DB (hereinafter referred to as the "DB recipient"). In this case, the settlement of securities shall be deemed to have been completed by delivery of the DB.
2. The delivering participant shall carry out the settlement of DB-related securities lending/borrowing by the fourth business day after the day the corresponding DB was issued (hereinafter referred to as the "settlement cutoff date for DB-related securities lending/borrowing" in this section); provided, however, that in the case where a record date to fix shareholders, etc. arrives during the period between the day the DB was issued and the settlement cutoff date for DB-related securities lending/borrowing, the delivering participant shall carry out the settlement of the DB-related securities lending/borrowing by the day prior (if this falls on a holiday, it shall be two days prior) to such day, except for cases where approval was obtained from the DB recipient.
3. Notwithstanding the provisions of the preceding paragraph, in the case where the Exchange deems it especially necessary, the delivering trading participant may, after obtaining approval from the DB recipient, change the settlement cutoff date for DB-related securities lending/borrowing to the date the Exchange deems appropriate.

#### Section 7. Prohibition of Abuse of DBs

A trading participant must not issue DBs abusively.

## Section 8. Handlings of Other Matters concerning Due Bills

In addition to the preceding two sections, other necessary matters concerning DB shall be prescribed by the Exchange.

## Section 9. Settlement by Settlement Collateral

1. In the case where a receiving trading participant is unable to pay money due to unavoidable reasons by the settlement cutoff time of DVP settlement, and has proven such reasons to the Exchange, and the Exchange judges that a default in settlement of securities trading on the Exchange market by the trading participant is unlikely, the trading participant shall be able to use its settlement collateral deposit for settlement. In this case, the trading participant shall pay a fee for use of the settlement collateral as specified by the Exchange.
2. In relation to the preceding paragraph, where the amount of settlement collateral deposited by the trading participant with the Exchange has fallen short of the required amount, the trading participant must promptly deposit at least the shortfall.

## Section 10. Measures in case of Settlement Default

1. When a trading participant fails to settle a securities transaction, or the Exchange deems that a trading participant is likely to fail to do so (hereinafter referred to as a "defaulting trading participant"), the Exchange shall suspend the defaulting trading participant from involvement in securities trading, and from receiving securities and money, in whole or part, from the Exchange, to the extent and for the period that the Exchange deems necessary.
2. Where a defaulting trading participant fails to settle a securities transaction, the Exchange may make another trading participant designated by the Exchange sell or buy securities which are required for default processing.
3. The Exchange may appropriate securities and money that a defaulting trading participant has been suspended from receiving pursuant to the provisions of Paragraph 1 for performance of the obligations pertaining to the defaulting trading participant's failure to settle the securities transaction.
4. Notwithstanding the provisions of Paragraph 1, in the event that the Exchange has taken any measure in the same paragraph, if the defaulting trading participant has become insolvent, or if the Exchange deems that the defaulting trading participant is likely to become insolvent or deems it especially necessary to do so, the Exchange may suspend the defaulting trading participant from involvement in securities trading, and from receiving securities and money, in whole or part, from the Exchange, until the cause for insolvency, etc. ceases to exist.

5. The provisions of Paragraph 3 shall apply mutatis mutandis to the securities and money that the trading participant is suspended from receiving pursuant to the provisions of the preceding paragraph.
6. In the event that the Exchange has suspended the defaulting trading participant from involvement in securities trading pursuant to the provisions of Paragraph 4, it may require the defaulting trading participant to make arrangements that the Exchange deems necessary.
7. When the Exchange deems necessary, it may cause other trading participants to make the arrangements set forth in the preceding paragraph.
8. In the cases in Paragraph 2 and the preceding paragraph, an entrustment agreement shall be deemed to have been concluded between such other trading participant and the defaulting trading participant.

#### Section 11. Fund Raising at the Time of Settlement Default

1. When the Exchange deems that the settlement of a securities transaction between a trading participant and the Exchange shall or is likely to default, the Exchange shall make payment related to the settlement of securities to the trading participant using the funds in the following items and other funds raised using methods which are deemed appropriate by the Exchange.
  - (1) Clearing fund deposited by a trading participant in accordance with Section 12 of the Trading Participant Business Regulations.
  - (2) Borrowings from a trading participant or other person.

#### Section 12. Compensation for Loss due to Default

1. In the event that the Exchange has suffered loss (including the loss the Exchange incurred in the course of the handling of a default (including the handling when the Exchange deems that there is a likelihood of default)) due to a trading participant failing to settle securities transactions effected on the Exchange market, the following items shall be applied to compensate such loss.
  - (1) Settlement collateral deposited by the defaulting trading participant to the Exchange
  - (2) Clearing funds deposited by the defaulting trading participant to the Exchange.
  - (3) DB-related deposits made by the defaulting trading participant to the Exchange.
  - (4) Other deposits made by the defaulting trading participant (in cases where the Exchange has used the deposits in accordance with their corresponding purposes, remaining amount of deposits).
2. Where there are remaining losses to be compensated after the operations in the

provisions of the preceding paragraph, and if there is any money to be received due to loss compensation by a third party, or other monies or assets for the particular purpose of compensating the loss (excluding those prescribed in the following section), the Exchange shall compensate for such losses with such monies and assets.

3. If there are remaining losses to be compensated after the operations in the provisions of the preceding two paragraphs, the Exchange shall compensate for such losses using the Reserve Funds for Guaranteeing Settlement of Securities Transactions maintained by the Exchange.
4. The matters necessary for loss compensation prescribed in each of the preceding paragraphs shall be specified by the Exchange on a case-by-case basis.

#### Section 13. Special Clearing Charge

1. If there are remaining losses to be compensated even after the operations under the provisions of the preceding section, all trading participants other than the defaulting trading participant as of the day of the default (including the day that a default is deemed likely; hereinafter referred to as "the default day" pertaining to such losses) (hereinafter collectively referred to as "default day trading participants") shall pay a special clearing charge in accordance with the regulations of the Exchange.
2. The amount of special clearing charge in the preceding paragraph shall be the amount of the remaining losses in the same paragraph prorated among default day trading participants as specified by the Exchange.
3. If a trading participant does not pay the special clearing charge stated in Paragraph 1, the trading participant shall be regarded as having failed to settle securities transactions effected on the Exchange market on the default day with respect to such unpaid amount, and the provisions of Section 10 to this section shall be applied accordingly.

#### Section 14. Temporary Changes to Settlement Cutoff Time

When the Exchange deems it necessary, it may provisionally change the settlement cutoff time (including the cutoff time in Section 3) between the Exchange and a trading participant, which pertains to securities transactions effected on the Exchange market. In this case, the Exchange shall notify the trading participant to that effect in advance.

#### Section 15. Deferral of Settlement Day in the event of System Failure, etc.

1. In the case where the Exchange deems it impossible or difficult to conduct the settlement of securities transactions effected in the Exchange market by using the

systems set up by the Exchange or other institutions, which are necessary to conduct the settlement of securities transactions between the Exchange and trading participants, due to a system malfunction or other unavoidable reasons, the Exchange may defer, in whole or in part, the settlement to the following day or later. In this case, the Exchange shall notify trading participants to that effect in advance.

2. The matters necessary for the deferment of the settlement prescribed in the preceding paragraph shall be specified by the Exchange on a case-by-case- basis.

#### Section 16. Emergency Measures in the event of an Act of Providence

1. In the case where a natural disaster, acute economic turmoil, shortage of goods, or other unavoidable reason leads to a situation where the settlement of securities transactions effected on the Exchange market is deemed to have become impossible or remarkably difficult, the Exchange may set forth new conditions for the settlement of such securities transactions by a resolution of the board of directors.
2. Trading participants shall abide by the new conditions for the settlement set forth by the Exchange pursuant to the provisions of the preceding paragraph.
3. In the case stipulated in Paragraph 1, where the Exchange acknowledges an urgent need, it may set forth the new conditions for settlement without a resolution of the board of directors.

#### Section 17. Comprehensive Provision

Other than matters stipulated in this Business Regulations and related regulations, where necessary for the operation of the Exchange market, the Exchange may implement measures, etc. that it specifies on a case-by-case basis.

#### Supplementary Provision

This Business Regulations shall be implemented on 24th March, 2016.