

## **REGULATIONS FOR BUSINESS RULES**

**THIS ENGLISH TEXT OF REGULATIONS IS ORIGINALLY PREPARED FOR THE JAPANESE TEXT AND THE JAPANESE TEXT HEREOF SHALL GOVERN FOR ALL PURPOSES AND IN ALL RESPECTS . THIS ENGLISH TEXT INTENDED AS CONVENIENCE FOR USERS, WHOSE FIRST LANGUAGE IS NOT JAPANESE.**

**ACCORDINGLY , JAPAN COMMODITY CLEARING HOUSE CO.,LTD (“J C C H ”) GIVES NO ASSURANCE THAT THIS ENGLISH IS COMPLETELY ACCURATE WITH RESPECT TO TERM OF USE , TO THE CURRENT STATUS OF THE LAWS OR TO THE CUSTOMARY PRACTICES OF JAPAN.**

**THEREFORE , ALL DISPUTES THAT MAY ARISE WITHIN OR WITHOUT LAW COURTS REGARD TO THE TERM OF USE , TO THE CURRENT STATUS OF THE LAW OR TO THE CUSTOMARY PRACTICES OF JAPAN , PROVISIONS AND STIPULATIONS OF THIS REGULATIONS SHALL BE DECIDED IN ACCORDANCE WITH THE JAPANESE TEXT ONLY.**

### **Article 1. Purpose**

These Regulations prescribe the necessary matters regarding administrative procedures pursuant to matters prescribed by JCCH under the Business Rules.

### **Article 2. Application for Acquisition of Clearing Qualification**

1. Applicants for acquisition of Clearing Qualification as prescribed under Article 6.1 of Business Rules shall to submit an application for acquisition of Clearing Qualification to JCCH containing the following information:
  - (1) The type of Clearing Qualification desired, whether Individual Clearing Qualification or General Clearing Qualification and the financial requirements to be adopted,

- (2) Trade name or name (including the same in English);
  - (3) Location of head office or main office;
  - (4) Name of representative; and
  - (5) The structure for business operations for management of the risk of losses and compliance with applicable Laws.
2. The following documentation must be attached to an application for acquisition of Clearing Qualification under the preceding Paragraph:
- (1) The evidentially documentation which certifies either Market Members etc. of a Designated Commodity Exchange (members etc. who have a trading qualification of trades for the house account) or Broker Members etc. (members etc. who have a trading qualification of trades for the house account as well as the customers accounts).
  - (2) A statement summarizing outline of the applicant;
  - (3) A certificate of registered matters (issued within three months preceding the day when the application is filed);
  - (4) Biannual statement of net assets (the form No.1 as prescribed in Commodity Exchange Act Enforcement Regulation (hereinafter “Ordinance of the Ministry”)) (whose data shall be as of a day within two months preceding the day when the application was filed);
  - (5) Documents certifying expectations of stable profitability and financial statements, business reports and supplementary schedules hereof of the most recent three business years, prepared in accordance with Article 435.2 of the Companies Act, and either annual Securities Reports of the most recent three business years, prepared in accordance with Article 24 of Financial Instruments and Exchange Law, or business reports of the most recent three business years, prepared in

accordance with Article 172 of Cabinet Office Ordinance, prescribed in Article 46-3 of Financial Instruments and Exchange Law.

- (6) If an applicant of Clearing Qualification is a Commodity Futures Trading Firms, Notification on Required Net Asset Ratio (the form No.10 as prescribed in Ordinance of the Ministry) (whose data shall be as of the last day of a month immediately before the month containing the day when the application was filed);
- (7) For an applicant of Clearing Qualification in accordance with the financial requirements prescribed in Article 7.2.(4) b) or c) of Business Rules, documents certifying being engaged in a business of transaction of physical commodities or related commodities with past records of such physical trading (including delivery)
- (8) For an applicant of Clearing Qualification in accordance with the financial requirements prescribed in Article 7.2 (4) c) or d) of Business Rules, documents certifying guarantee by its parent company, documents on financial requirements of its parent company, and document certifying that its parent company executes payment according to the instructions of JCCH.
- (9) Other documentation as deemed necessary by JCCH.

**Article 3. (Reserved)**

**Article 4. Procedures for Acquisition of Clearing Qualification**

1. The procedures for acquisition of Clearing Qualification as prescribed under Article 8.1 of the Business Rules shall consist of payment of the Clearing Qualification acquisition fee (except for cases where a party already possessing Clearing Qualification with JCCH is adding another class of Clearing Qualification) and other procedures as deemed necessary by JCCH.

2. The fee for acquisition of Clearing Qualification under the preceding Paragraph shall be JPY 100,000, provided that the said fee shall not be required in cases where the applicant for Clearing Qualification is a Member of any Designated Commodity Market of Designated Commodity Exchange relating to the concerned Clearing Qualification at the time of implementation of the Business Rules.

#### **Article 5. Execution of Clearing Participation Agreement**

The Clearing Participation Agreement prescribed under Article 11 of the Business Rules shall be prepared using the prescribed form No.1 or No.2.

#### **Article 6. Clearing Fees**

1. The amount of Clearing Fees prescribed under Article 15 of the Business Rules shall be prescribed by the Board of Directors.
2. The Clearing Fees under the preceding Paragraph shall be JPY 5 per contract for each selling and buying, provide that Clearing Fees by delivery shall be JPY 1 per contract.

#### **Article 7. Notification Items**

1. The notices and reports to be submitted to JCCH as prescribed under Articles 12, 13, 17, 18, 39 and 40 of the Business Rules shall be accompanied by the documentation deemed necessary by JCCH, and shall be submitted by the designated time and in the prescribed form.
2. Business report prescribed in Article 18(21) of Business Rules shall be as follows;
  - (1) If a Clearing Participant is a Commodity Futures Trading Firm, documents prepared in accordance with Article 116 of Ordinance of the Ministry, and the documents shall be submitted within three months from the end of every business year.

- (2) If a Clearing Participant is not a Commodity Futures Trading Firm, documents prepared in accordance with Article 116 of Ordinance of the Ministry or documents prepared in accordance with the following classification, and documents hereof shall be submitted within three months from the end of every business year.
  - a. Annual Securities Reports prescribed in Article 24 of Financial Instruments and Exchange Law, if issuing.
  - b. For a party except for a. above and issuing business reports in accordance with Article 46.3 of the Financial Instruments and Exchange Law, business reports prepared in accordance with Article 172 of Cabinet Office Ordinance for Financial Instruments Firms.
  - c. For a party except for a. and b. above and issuing financial statements, business reports and supplementary schedules thereof in accordance with Article 435.2 of the Companies Act, financial statements etc. of each business year prepared in accordance with Article 435.2 of the Companies Act.
  - d. For a party except for a. b. and c. above, Balance Sheet and Loss and Profits Statements of each business year and other documents deemed necessary by JCCH.
  
- (3) If a Clearing Participant has acquired Clearing Qualification with the financial requirements prescribed in Article 7.2(4) c) or d) of Business Rules, documents prepared by the parent company of the Clearing Participant set forth in Subparagraph (1) or (2) above, shall be also submitted.
  
3. Documents prescribed by JCCH under Article 18(22) of Business Rules shall be prescribed in the following the Subparagraphs. A Clearing Participant who is a Commodity Futures Trading Firm shall submit the documents prescribed in Subparagraph (1) through Subparagraph (6), and a Clearing Participant who is not a Commodity Futures Trading Firm shall submit the documents prescribed in Subparagraph (3), (4) and (7).
  - (1) Notification of Required Net Asset Ratio.
  
  - (2) Monthly Reports (documents prescribed as form No.12 in Ordinance of the Ministry).

- (3) Biannual statement of net assets, or financial reports etc..
  - (4) Monthly notification on liquid fund
  - (5) Reports regarding the occurrence and handling status of lawsuits or arbitration (the form No.6 as prescribed in Ordinance of the Ministry)
  - (6) Notification of controlling interest in another juridical person
  - (7) Documents prescribed in Article 2.2(7) hereof (applicable only to the parties which obtained Clearing Qualification in accordance with the financial requirements prescribed in Article 7.2(4)b or c of Business Rules.
4. Date as of which documents prescribed in the preceding Paragraph are prepared (as-of-date of documents) and due date of submission of the documents shall be as follows;
- (1) Subparagraph (1), (2), (5) and (6) shall be applied mutatis mutandis pursuant to as-of date of documents and due date of submission to Competent Minister prescribed in Laws and Regulations and Ordinance.
  - (2) For Subparagraph (3), as-of-date of documents shall be the last day of a business year and the last day of the sixth month after the day following the said last day of the business year, and the documents shall be submitted within three months from each as-of-date.
  - (3) For Subparagraph (4), as-of-date of documents shall be the last business day of each month, and the documents shall be submitted within four business days from the as-of-date.
  - (4) For Subparagraph (7), documents certifying being engaged in a business of transaction of physical commodities or related commodities with past records of such physical trading (including delivery) from April 1 of previous year to the last day of March of this year shall be prepared and submitted by the end of June.
5. Notwithstanding the provision of Paragraph 1 of hereof , documents prescribed in Subparagraph (4) shall be by using JCCH system, and if a Clearing Participant is a Commodity Futures Trading Firm, documents prescribed in Paragraph 3(1), (2), and

(5) hereof shall be made and submitted by CFEF-SYSTEM of National Futures Protection Fund.

However, JCCH deemed necessary for operations relating to the Business of Assuming Commodity Transaction Debts, JCCH may require the concerned Clearing Participant to submit the report in writing.

6. If a Clearing Participant is not a Commodity Futures Trading Firm but is a party which issues Securities Reports prescribed in Article 24 of the Financial Instruments and Exchanges Law and Quarterly Reports prescribed in Article 24-4.7 of the said Law and is approved by JCCH, submission of such reports within three months after issuance of such Reports may substitute for submission of documents prescribed in Paragraph 3 (3) and (4) above.
7. If a Clearing Participant is not a Commodity Futures Trading Firm but is a party which issues financial reports or documents that allows JCCH to check the cash and deposit accounts for every quarterly period of a business year and is approved by JCCH, submission of such reports or documents to JCCH within three months after issuance of such reports or such documents may substitute for submission of documents prescribed in Paragraph 3(4) hereof..
8. If a Clearing Participant has acquired Clearing Qualification with the financial requirements prescribed in Article 7.2(4) c) or d). of Business Rules, documents issued by its parent company prescribed in each respective item of Article 7.3(3) hereof shall be also submitted . However, if the said parent company is a party which issues Securities Reports prescribed in Article 24 of Financial Instruments and Exchange Law and Quarterly Repots prescribed in Article 24-4.7 of the said Law, submission of such Reports within three months after such Reports have been issued may substitute for submission of the documents prescribed in Article 7.3.(3) hereof.

#### **Article 7-2. Review of Requirements Concerning Net Asset Amount**

1. For a party which has acquired Clearing Qualification with the guarantee of its parent company or another Clearing Participant, if its parent company (hereinafter referred to as “Clearing Participants”, the same shall apply hereinafter in this Article) falls under the conditions prescribed in the following (for the parent company of the party which

has acquired Clearing Qualification with the guarantee of its parent company and another Clearing Participant, if its parent company falls under the conditions prescribed in Paragraph 3), as a general rules submission of the reports or documents prescribed in the respective items of Article 19 of Business Rules shall be requested.

- (1) Statement of Net Asset Amount as of every month end day (“as of date”) in respect to the Clearing Participants (excluding the parent company of a party which has acquired Clearing Qualification with the guarantee of its parent company and another Clearing Participant) shall be submitted to JCCH by the fifth business day of the month following the month that includes the as of date. when the ratio of the net asset amount prescribed in (a). and (b). below of Clearing Participants against the net asset amount prescribed in Article 27.1(1) through Article 27.1(3) of Business Rules (hereinafter referred to as “Required Net Asset Amount”) becomes less than 150 percent.
    - (a) If the Clearing Participant is a Commodity Futures Trading Firm, either the Net Asset Amount in the Balance Sheet of Monthly Reports or Net Asset Amount that is applicable to the calculation of Required Net Asset Amount..
    - (b) If the Clearing Participant is a party other than the party prescribed in the Item (a) above, either the Net Asset Amount in Securities Reports or Quarterly Reports, or the Net Asset Amount in the other financial reports.
  - (2) Documents stipulated below (a) through (f) shall be submitted to JCCH, when the ratio of the Net Asset Amount of a Clearing Participant (the amount in the valuation 1 of the Statement of Net Asset Amount) against the Required Net Asset Amount is less than 120 percent;
    - (a) Notification on liquid fund as of every business day
    - (b) Program for improvement of revenue and expenditure
    - (c) Cash flow projection
    - (d) List of payment plan and payment results
    - (e) Monthly Financial Statements of most recent mid-month
    - (f) Any documents or verification etc. assigned by JCCH for the purpose of confirming financial condition, except for (a) though (e) above.
2. JCCH may terminate Clearing Participants’ reporting or submitting documents, when such Clearing Participants satisfy conditions stipulated in (a) or (b) below, and when

JCCH confirms reporting and submitting documents prescribed in Paragraph 1 are not necessary.

- (a) If the Clearing Participant is a party which has acquired Clearing Qualification with the requirements for the financial basis prescribed in Article 7.2(4) a) of Business Rules (excluding other Clearing Participant), the ratio of the Net Asset Amount of the Clearing Participant prescribed in Item (a) or (b) of Subparagraph (1) of the preceding Paragraph against the Required Net Asset Amount is over 150 % for two consecutive months (However, for the case of (a) preceding Paragraph (1) (a), calculated ratios of each Net Asset Amount in the Balance Sheet of Monthly Reports and Net Asset Amount that are applicable to the calculation of Required Net Asset Amount against Required Net Asset Amount shall exceed 150 %).
  - (b) If the Clearing Participant is a party which has acquired Clearing Qualification with the guarantee of its parent company or another Clearing Participant, the Net Asset Amount of its parent company or another Clearing Participant prescribed in Subparagraph (2) of the preceding Paragraph against the Required Net Asset Amount is over 120 % for two consecutive months.
3. Notwithstanding the provision of the preceding two paragraphs, JCCH may require the Clearing Participant reporting or submitting a separate documents if deemed necessary.

### **Article 7-3 Review of Requirements Regarding Net Asset Amount Ratio**

1. If Clearing Participant's (who is a commodity futures dealer applied Net Asset Amount Ratio based on the provision of Article 11 Paragraph1 in Commodity Futures Dealer, the same shall apply hereinafter) Net Asset Amount Ratio( which is prescribed in the provision of the same Article, the same shall apply hereinafter) is incompatible with the benchmarks listed in the following items, JCCH shall demand the Participant to submit the document set forth in each item below, based on the provision of Article 19 in Regulations for Business Rules in principle.
  - (1) If Net Asset Amount Ratio of Clearing Participant falls below 280% (400% shall be applied if Clearing Participant is a clearing member of other companies), notification with regard to Net Asset Amount Ratios normally submitted every other week shall be provided on the first business day of the following week.
  - (2) If Net Asset Amount Ratio of Clearing Participant falls below 200% (280% shall be applied if Clearing Participant is a clearing member of other companies),

documents stated in (a) to (d) below shall be submitted. Furthermore, JCCH may determine other necessary items including due date of the documents.

- (a) Notification regarding current Net Asset Amount Ratio on every business day.
  - (b) Plans to improve Net Asset Amount Ratio
  - (c) Written statement indicating progress of the plans in the preceding item from the end of the month when the ratio falls below the benchmark till present.
  - (d) Data, information and any certificates which JCCH specifies to confirm Net Asset Amount Ratio other than the above (a) to (c) items.
2. If Net Asset Amount Ratio of Clearing Participant is in conditions of exceeding 280% for two consecutive months and JCCH recognizes no necessity to have the Participant submit the report or information stated in the preceding paragraph, JCCH shall terminate submission of the report or information.
  3. Notwithstanding the provision of the preceding two paragraphs, if JCCH recognizes any necessity, JCCH may request the Participant to submit additional reports or information.

#### **Article 7-4 Cases Handling Measures Toward Clearing Participant**

Applying Article 27 in Regulations for Business Rule, if necessary, JCCH shall request reports and information to Clearing Participant and fully confirm current and expected conditions based on the provision of Article 19 in the Regulations.

#### **Article 8. Application for Relinquishment of Clearing Qualification**

1. Applications to relinquish Clearing Qualification as prescribed under Article 20 of the Business Rules shall be made by applicants submitting a prescribed application for relinquishment of Clearing Qualification to JCCH containing the following information:
  - (1) The type of Clearing Qualification for which relinquishment is desired and whether Individual Clearing Qualification and General Clearing Qualification;
  - (2) Trade name or name (including the same in English);

- (3) Location of head office or main office;
  - (4) Name of representative; and
  - (5) Statement of the reason for applying to relinquish Clearing Qualification.
2. The following documentation must be attached to an application for relinquishment of Clearing Qualification under the preceding Paragraph:
- (1) Time Schedule for relinquishment of Clearing Qualification; and
  - (2) Other documentation as deemed necessary by JCCH.

#### **Article 9. Payment of Monies to JCCH**

The payment of monies, etc. as well as deliveries and deposits to JCCH under Article 26(5) of the Business Rules shall be conducted through the settlement banks.

#### **Article 10. Clearing Agreement**

The Clearing Agreement prescribed under Article 38 of the Business Rules shall be prepared in the prescribed form No.3.

#### **Article 11. Confirmation of Content of Obligations**

Confirmation of the content of obligations as prescribed under Article 45.2 of the Business Rules and other matters necessary for settlement shall be conducted by Clearing Participant using electronic information equipment.

## **Article 12. Reports Concerning Clearing Contracts**

The classifications, timing and correction of content of the reports prescribed under Article 49.4 of the Business Rules shall be subject to the provisions prescribed by Designated Commodity Exchange for Detailed Trading Position Reports and Trading Reports.

## **Article 13. Settlement Prices**

Settlement Prices as prescribed under Article 51 of the Business Rules shall be based on the prices received in notices from Designated Commodity Exchange.

## **Article 14. Final Settlement Prices and Final Settlement Indices**

Final Settlement Prices and Final Settlement Indices prescribed under Article 55 and Article 57 of the Business Rules, respectively, shall be the amounts calculated in the manner prescribed by Designated Commodity Exchange.

### **Article 14-2 Application or Transfer Deadline of Positions**

1. A Clearing participant who seeks to receive approval of JCCH prescribed in Paragraph 1 and 4 of Article 60-2 of Business Rules shall submit the documents separately prescribed by JCCH and the application for the relevant positions that has been submitted to the Designated Commodity Exchange. The other documents necessary for the said approval shall be separately prescribed by JCCH.
2. The time prescribed by JCCH in Paragraph 2 and 4 of Article 60-2 of Business Rules shall the deadline prescribed by the Designated Commodity Exchange, except for the deadline separately prescribed by JCC.
3. In cases where JCCH deemed it impossible or difficult for the application to be submitted by the time prescribed by JCCH under the preceding Paragraph because of a problem with the system installed by the Designated Commodity Exchange or due to unavoidable reasons, the deadline of the application shall be the time prescribed by JCCH in a case by case basis. In such cases, JCCH shall notify the Clearing Participant of the said deadline beforehand.

4. The application to JCCH as prescribed in Paragraph 2 and 4 of Article 60-2 shall be with respect to the positions at the closing time of a trading day.
5. In principle, the time prescribed by JCCH in the Paragraph 3 of Article 60-2 of Business Rules shall be 5:00 p.m.

#### **Article 14-3 Method to Handle Clearing Fees Pertaining to Give-ups**

The return of Clearing Fees prescribed in Article 47-2 of the Regulations for Business Rules shall be recovered to Clearing Participants, who went through said extinguished transactions, in the following month of the calculation area's month in which said Give-ups were taken place.

#### **Article 15. Clearing Funds**

The return of Ordinary Clearing Funds prescribed in Article 47-2 of the Regulations for Business Rules, the amounts and manner of deposit of Ordinary Clearing Funds and Special Clearing Funds, method for maintaining segregated management of Clearing Funds, Cumulative Limit on the Amount of Ordinary Clearing Funds Amount, suspension of deposits of Ordinary Clearing Funds and return of Ordinary Clearing Funds and Special Clearing Funds as prescribed respectively under Article 61.2, Article 61.4, Article 62.1, Article 62.2, Article 64.2 and Article 64.3 of the Business Rules shall be as prescribed in the Regulations for Clearing Funds.

#### **Article 16. Compensation for Losses from Default**

1. The calculation for each Designated Commodity Market relating to Clearing Margin of House Account that is deposited by a Clearing Participant with JCCH as prescribed under Article 72.1(1) of Business Rules shall be performed by multiplying the amount of the Clearing Margin of House Account deposited by the Clearing Participant with JCCH by the following rate for each Designated Commodity market for which such calculation is made.
  - (i) The calculation of the amount for each Designated Commodity Market shall be as follows:  
“(Number of Positions of House Account × Price Scan Range) + (Number of Positions of House Account Subject to Delivery Month Charge × Amount of

Delivery Month Charge per contract) + (Amount of Delivery Clearing Margin) + (Short Option Positions of House Account × Short Option Minimum Charge)”

(ii) The rate shall be determined by dividing the total amount of (i) above by the amount of (i) above that is calculated for each Designated Commodity Market.

2. The calculation for each Designated Commodity Market relating to Clearing Margin of Customer Account for which a Clearing Participant has Claim for Refund as prescribed under Article 72.1(4) of the Business Rules shall be determined by multiplying the amount of Claim for Refund of the Clearing Participant by the following rate for each Designated Commodity Market for which such calculation is made:

(i) The calculation for each Designated Commodity Market shall be as follows:

(Number of Customer Positions × Price Scan Range) + (Number of Customer Positions Subject to Delivery Month Charge × Delivery Month Charge per contract) + (Amount of Delivery Clearing Margin) + (Number of Customer Short Option Positions × Short Option Minimum Charge)

(ii) The applicable rate shall be the total amount of (i) above divided by the amount of (i) above that is calculated for each Designated Commodity Market.

#### **Article 17. Compensation Made by Other Clearing Participant**

The liability of other Clearing Participant to make compensation as prescribed under Article 72.7 of the Business Rules shall be assigned to the parties given in the following Subparagraphs for each of the corresponding obligations of a Defaulting Clearing Participant:

(1) Deficiencies relating to the differential between Acceptance Price and Delivery Price for Defaulted Delivery Positions as prescribed under Article 73(1) of the Business Rules shall be proportionally allocated to the number of Aggrieved Delivery Positions of the Aggrieved Party in the manner prescribed in the Market Rules of Designated Commodity Exchange (hereinafter the “Market Rules”), and shall be borne by the Clearing Participant who have received said allocation (if the party receiving such allocation is Non-Clearing Participant, Designated Clearing Participant of the relevant Non-Clearing Participant);

- (2) Deficiencies relating to the additional indemnification for Defaulted Delivery Positions as prescribed under Article 73(2) of the Business Rules shall in accordance with the Market Rules be allocated in proportion to the Opposite Delivery Positions of the Clearing Participants (or if the party receiving such allocation is Non-Clearing Participant, Designated Clearing Participant of the relevant Non-Clearing Participant) who holds Opposite Delivery Positions of the Defaulted Delivery Positions, and shall be borne by the Clearing Participant who have received said allocation;
- (3) Deficiencies relating to the additional indemnification for Defaulted Non-Delivery Positions as prescribed under Article 73(3) of the Business Rules shall be allocated in proportion to the number of Opposite Positions held by the Clearing Participants holding Opposite Positions of the Defaulted Non-Delivery Positions (or if the party holding the Opposite Positions is Non-Clearing Participant, Designated Clearing Participant of the relevant Non-Clearing Participant), in accordance with the Market Rules and shall be borne by the Clearing Participant who has received said allocation or the Clearing Participant who has accepted the Defaulted Non-Delivery Positions;
- (4) Deficiencies relating to the differential between Acceptance Price and Contract Price at the time of acceptance for Defaulted Non-Delivery Positions as prescribed under Article 73(4) of the Business Rules shall be allocated in proportion to the Opposite Positions of the Clearing Participants holding Opposite Positions corresponding to the Defaulted Non-Delivery Positions (or if the party who holds the Opposite Positions is Non-Clearing Participant, Designated Clearing Participant of the relevant Non-Clearing Participant) in accordance with the Market Rules, and shall be borne by the Clearing Participant who has received said Allocation or the Clearing Participant who has accepted Defaulted Non-Delivery Positions;
- (5) Deficiencies relating to the differential in the losses calculated for Defaulting Clearing Participant in relation to the Defaulted Non-Delivery Positions as prescribed under Article 73(5) of the Business Rules shall be allocated in proportion to the gains of Clearing Participant who have calculated gains in each clearing period in which losses are calculated for Defaulting Clearing Participant;

- (6) JCCH shall bear the deficiencies of the clearing fees as prescribed under Article 73(6) of the Business Rules; and
- (7) Deficiencies of any and all other amounts as prescribed under Article 73(7) of the Business Rules shall be borne by the counterparty Clearing Participant (if the counterparty is Non-Clearing Participant, Designated Clearing Participant of the concerned Non-Clearing Participant).

#### **Article 18. Calculation of Losses from Default**

The calculation of losses as prescribed under Article 73 of the Business Rules shall be conducted individually for each Designated Commodity Market relating to Defaulting Clearing Participant and shall not be calculated as net figure from the gains and losses among each such Designated Commodity Market.

#### **Article 19. Settlement Banks**

The settlement banks prescribed under Article 76 of the Business Rules shall be the following:

Mizuho Bank, Kobuna-cho Branch

Resona Bank, Nihonbashi Branch

Resona Bank, Senba Branch

The Sumitomo Mitsui Banking Corporation, Osaka Nishi Branch

#### **Article 20. Postponement of Settlement Cut-Off Times Due to System Failures or Other Factors**

1. In relation to the postponement of settlement cut-off times as prescribed under Article 77.1 of the Business Rules, if JCCH grants that the report in this Paragraph from Clearing Participants shall be appropriate, JCCH shall postpone the receipt and payment for all or some of the amount under Article 53.2 of the Business Rules until

the date designated by JCCH to conduct settlement for the postponed Designated Commodity Market, in case where, because of the failure of JCCH's or Designated Commodity Exchange's systems hereof, and the Clearing Participant may fail to calculate Contract Prices Differentials, Mark-to-Market Prices Differentials, Option Exercised Contract Prices Differentials or Option Premiums (collectively referred to hereinafter as "Differentials") for some of Designated Commodity Market, and then if JCCH grants a deferral for some of the affected settlements under Article 77.1 of the Business Rules, and then the Clearing Participant shall claim that they shall fail to deposit the Differentials for the rest of the postponed Designated Commodity Market, with attached the estimated amount of the Differentials for the postponed Designated Commodity Market.

2. The amount to be deferred by JCCH under the preceding Paragraph should be designated by JCCH within the amount reported by the Clearing Participant mentioned in the preceding Paragraph, to the extent deemed necessary to be deposited by the Clearing Participant.
3. Necessary matters except for the case other than in Paragraph 1 above shall be prescribed by JCCH on a case by case basis.

**Article 21. Transfer of Unsettled Contracts in Conjunction with Corporate Spin-Offs or Transfer of Business Operations**

1. The transfer of Unsettled Contracts in conjunction with corporate spin-off or transfer of business operations under the provision of Article 80.1 of Business Rules shall apply *mutatis mutandis* to the provision of Article 14-2.
2. If a General Clearing Participant would transfer Unsettled Contracts pertaining to Commodity Clearing Transactions of a Non-Clearing Participant in conjunction with a corporate spin-off or transfer of business operations under the provisions of Article 80.2 of the Business Rules, the Clearing Participant shall obtain the consent of the Non-Clearing Participant regarding the Transfer of Concerned Unsettled Contracts.

**Article 22. Authority to Amend Regulations for Business Rules**

Amendments to these Regulations for Business Rules shall be conducted by the decision of CEO, Chairman.

### **Supplementary Provisions**

These Regulations shall become implemented on May 1, 2005.

### **Supplementary Provisions**

The amended provisions of Article 15(Clearing Funds) and Article 16(Compensation for Losses from Default) shall be implemented from April 4, 2006.

### **Supplementary Provisions**

The amended provisions of Article 16(Compensation for Losses from Default) shall be implemented from May 1, 2006.

### **Supplementary Provisions**

The amended provisions of Article 7(Notification Items) shall be implemented from June 1, 2007.

### **Supplementary Provisions**

The amendments to Article 6(Payment of Clearing Fees) shall be implemented on October 1, 2007. The amended provisions to replace Article 20 to Article 21 and the new stipulations of Article 20(Postponement of Settlement Cut-Off Times Due to System Failures or Other Factors) shall be implemented on October 31, 2007.

### **Supplementary Provisions**

The amended provisions of Article 7(Notification Items) shall be implemented from December 28, 2007.

### **Supplementary Provisions**

The amended provisions of Article 6(Clearing Fees) shall be implemented on October 1, 2008 and become effective from the Assuming Obligations of transactions on the date.

## **Supplementary Provisions**

1. The amendments to Article 2(Application for Acquisition of Clearing Qualification) and Article 7(Notification Items), deletion of Article 3 and creation of Article 7-2 (Review of Requirements) shall become effective from the day when approved amendments to Article 7 (Notification Items) of Business Rules (hereinafter “Rules”) is implemented (January 22, 2009). With regard to documents prescribed in Article 7.3 (6) prepared by Clearing Participants who are not Futures Commission Merchants, documents as of the last day of March 2009 and after shall be submitted.
2. If a party applies for Clearing Qualification of Article 6 of Rules concerning Article 7 thereof in accordance with Attachment 2 of the Rules implemented on January 22, 2009 and if the party has Clearing Qualification heretofore on the day of implementation, followings shall be applied;
  - (i) Notwithstanding the provision of Article 4, Clearing Qualification acquisition fee shall not be charged.
  - (ii) Notwithstanding the provision of Article 2, documents of Article 2.1 (5) and Article 2.2 (1), (2) and (5) (limited to financial statements, business reports and supplementary schedules of the most recent three business years) shall not be required.
  - (iii) Notwithstanding the provision of Article 2.2 (4), for a party which makes application by the end of March 2009, Statement of Net Asset Amount prescribed in the said item shall be regarded as being made as of the end of September 2009 or later.

## **Supplementary Provisions**

The amendments to Article 2(Application for Acquisition of Clearing Qualification) Article 5(Execution of Clearing Participation Agreement), Article 7-2(Review of Requirements), Article 10(Clearing Agreement), and Article 17(Compensation Made by Other Clearing Participant) shall be implemented from April 1, 2009.

### **Supplementary Provisions**

1. The amendments to Article 2 (Application for Acquisition of Clearing Qualification), Article 7 (Notification Items) and Article 7-2 (Review of Requirements) shall be implemented on October 1, 2009.
2. The amendments to Article 17 (Compensation Made by Other Clearing Participant) shall be implemented on October 8, 2009.
3. The amendments to Clearing Agreement (Form 3) shall be implemented on October 13, 2009.

### **Supplementary Provisions**

The amendments to Article 2 (Application for Acquisition of Clearing Qualification) and Article 7 (Notification Items) shall be implemented on October 8, 2009.

### **Supplementary Provisions**

The amendments to Article 20 (Postponement of Settlement Cut-Off Times Due to System Failures or Other Factors) shall be implemented on April 26, 2010.

### **Supplementary Provisions**

1. The amendments to Article 2 (Application for Acquisition of Clearing Qualification), Article 7 (Notification Items), Article 7-2 (Review of Requirements) and Article 21 (Transfer of Unsettled Contracts in Conjunction with Corporate Spin-Off or Transfer of Business Operations), and new stipulations of Article 14-2 (Application on Transfer Deadline of Positions) and Article 22 (Authority to Amend Regulations for Business Rules) shall be implemented on January 1 2011, and the amendments to Article 16 (Compensation for Losses from Default) shall be implemented on January 4 2011.
2. Notwithstanding the preceding Paragraph, the transitional measures as prescribed in the Supplementary Provisions of Ordinance of the Ministry may be still taken according to the existing cases.

### **Supplementary Provisions**

New provisions of Article 7-2 (Review of Requirements Concerning Net Asset Amount), Article 7-3 (Review of Requirements Regarding Net Asset Amount Ratio) and Article 7-4 (Cases Handling Measures toward Clearing Participant) shall be effective from July 27, 2011.

### **Supplementary Provisions**

The amended provisions of Article 6(Clearing Fees) shall be implemented on October 1, 2011 and become effective from the Assuming Obligations of night-time transactions of September 30, 2011.

### **Supplementary Provisions**

The amendments to Article 7-2 (Review of Requirements Concerning Net Asset Amount) and Article 7-3(Review of Requirements Regarding Net Asset Amount Ratio) shall be implemented on November 17, 2011.

### **Supplementary Provisions**

A new provision of Article 14-3 (Method to Handle Clearing Fees Pertaining to Give-ups) and the amendments to Article 15 (The Return of Ordinary Clearing Funds Pertaining to Give-ups) shall come into effect as from December 19, 2011.

## CLEARING PARTICIPATION AGREEMENT

Date:

TO: Mr.	FROM: [Trade Name or Name]
CEO, Chairman	[Address]
Japan Commodity Clearing House Co., Ltd.	[Name of Representative] <i>[seal]</i>

This Company hereby consents the following as a Clearing Participant of the Japan Commodity Clearing House (“JCCH”):

1. This Company shall conduct itself in accordance and compliance with the provisions of the Business Rules and other rules and regulations as currently promulgated by JCCH (collective “Rules and Regulations”) or such as may be established or amended in the future.
2. This Company shall comply with any revocation of Clearing Qualification, suspension of assuming obligations or other actions imposed by JCCH pursuant to the Rules and Regulations.
3. This Company shall be fully responsible in the event that its Clearing Qualification is relinquished, and shall not, in any manner whatsoever, cause inconvenience to JCCH, other Clearing Participants or its Designated Clearing Participant in connection therewith.
4. If notice is received from JCCH concerning a change of contractual terms or conditions, failure of this Company to object to the proposed change by the prescribed time shall be construed as a consent to such change.
5. Any and all lawsuits arising between this Company and JCCH shall be under the exclusive jurisdiction of Tokyo District Court.

End

**REGARDLESS OF THIS ENGLISH AGREEMENT ABOVE, THE ORIGINAL JAPANESE TEXT HEREOF SHALL GOVERN FOR ALL PURPOSES AND IN ALL RESPECTS .**  
**THIS ENGLISH TEXT INTENDED AS CONVENIENCE FOR USERS, WHOSE FIRST LANGUAGE IS NOT JAPANESE .**  
**THIS TEXT IS FURNISHED WITHOUT RESPONSIBILITY FOR ACCURACY AND IS ACCEPTED BY THE USER ON THE CONDITION THAT TERM OF USE OR CURRENT STATUS OF THE LAW SHALL NOT BE MADE THE BASIS FOR ANY CLAIM , DEMAND OR CAUSE FOR ACTION OUTSIDE OR INSIDE A LAW COURT AGAINST JAPAN COMMODITY CLEARING HOUSE CO., LTD (“J C C H”).**  
**BESIDES , JAPANESE TEXT IS NECESSARY FOR THOSE WHO SUBMIT THIS AGREEMENT .**

## CLEARING PARTICIPATION AGREEMENT

Date:

TO: Mr.	FROM: [Trade Name or Name]
CEO, Chairman	[Address]
Japan Commodity Clearing House Co., Ltd.	[Name of Representative] [ <i>seal</i> ]

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2. This Company shall comply with any revocation of Clearing Qualification, suspension of assuming obligations or other actions imposed by JCCH pursuant to the Rules and Regulations.
3. This Company shall be fully responsible in the event that its Clearing Qualification is relinquished, and shall not, in any manner whatsoever, cause inconvenience to JCCH, other Clearing Participants or its Designated Clearing Participant in connection therewith.
4. If notice is received from JCCH concerning a change of contractual terms or conditions, failure of this Company to object to the proposed change by the prescribed time shall be construed as a consent to such change.
5. All notifications between JCCH and this Company (including documentation that is exchanged between the parties hereto) shall be prepared in the Japanese language, and any amounts shall be denominated in Japanese currency.
6. Any and all lawsuits arising between this Company and JCCH shall be under the exclusive jurisdiction of Tokyo District Court.

End

**REGARDLESS OF THIS ENGLISH AGREEMENT ABOVE, THE ORIGINAL JAPANESE TEXT HEREOF SHALL GOVERN FOR ALL PURPOSES AND IN ALL RESPECTS .  
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BESIDES , JAPANESE TEXT IS NECESSARY FOR THOSE WHO SUBMIT THIS AGREEMENT .**

**CLEARING AGREEMENT  
(DRAFT)**

XX Co. (“XX Co.”) and YY Co. (“YY Co.”) hereby agree as follows regarding Commodity Clearing Transactions to be conducted by XX Co. as consigned by YY Co.

**Article 1. Subject to Commodity Clearing Transactions**

The Subject to Clearing Transactions falling within the scope of this Agreement shall be transactions conducted on Designated Commodity Exchange and Designated Commodity Market as prescribed in Japan Commodity Clearing House (“JCCH”) Business Rules.

**Article 2. Designation as Designated Clearing Participant**

YY Co. may elect to designate XX Co. to act as the Clearing Participant to whom YY CO. will consign Commodity Clearing Transactions (hereinafter “Designated Clearing Participant”). In such case, XX Co. and YY Co. shall provide advance notice to JCCH and Designated Commodity Exchange respectively. (However, where the approval of Designated Commodity Exchange is required, such shall be obtained in advance.).

**Article 3. Transfer of Unsettled Contracts Upon Acceptance of Designation**

1. If YY Co. has designated a Clearing Participant other than XX Co. to act as its Designated Clearing Participant but elects to change such designation to XX Co., XX Co. shall accept Transfer of Unsettled Clearing Contracts consisting of Commodity Clearing Transactions consigned by YY Co. from the previous Designated Clearing Participant.

2. If YY Co. relinquishes its Clearing Qualification and XX Co. was designated as its Designated Clearing Participant, XX Co. shall accept Transfer of Unsettled Clearing Contracts of YY Co.

#### **Article 4. Transfer of Unsettled Contracts Upon Change of Designation**

1. If YY Co. has designated XX Co. to act as its Designated Clearing Participant but elects to change such designation to another Clearing Participant in the manner prescribed by a Designated Commodity Exchange, XX Co. shall transfer Unsettled Clearing Contracts consisting of Commodity Clearing Transactions consigned by YY Co. to the other Clearing Participant newly designated by YY Co.
2. If YY Co. has designated XX Co. to act as its Designated Clearing Participant but subsequently acquires Clearing Qualification, XX Co. shall transfer Unsettled Clearing Contracts of YY Co. consisting of Commodity Clearing Transactions consigned by YY Co. to YY Co.

#### **Article 5. Execution of Commodity Clearing Transactions**

1. YY Co. may execute as XX Co.'s agent Commodity Clearing Transactions for which XX Co. has been designated by YY Co. as its Designated Clearing Participant executed.
2. In cases where the preceding Paragraph applies and with respect to consignment of Commodity Clearing Transactions, when YY. Co. conducts the transaction as prescribed by Designated Commodity Exchange, it shall be deemed that YY. Co. requested consignment of Commodity Clearing Transactions to XX Co. and XX Co. accepted consignment of Commodity Clearing Transactions.

#### **Article 6. Commodity Clearing Transaction Account**

All Clearing Margin for transactions pursuant to consignment by YY. Co. of Commodity Clearing Transactions, monies paid and collected for Mark-to-Market (referring to monies

consisting of Contract Price Differential, Mark-to-Market Price Differential, and Exercised Contract Price Differential of rights), Option Premiums, and other paid and collected Securities and monies shall be processed by means of commodity clearing transaction account established by YY Co. with XX Co.

#### **Article 7. Acceleration of Obligations**

1. Upon occurrence of any of the following with respect to YY Co., and without notice or warning from XX Co., YY Co. shall become subject to acceleration of its obligations in relation to the transactions pursuant to consignment of Commodity Clearing Transactions and shall immediately satisfy such obligations:
  - (1) Suspension of payments; or becoming subject to a petition for the commencement bankruptcy proceedings, rehabilitation proceedings, restructuring proceedings, or special liquidation proceedings;
  - (2) Becoming subject to suspension of trading privileges by Note Clearing House;
  - (3) Becoming subject to order or notice for provisional attachment, preservative attachment or attachment concerning the obligations of YY Co. to XX Co. relating to consignment of Commodity Clearing Transactions, or any and all other obligations owed by YY Co. to XX Co.;
  - (4) Becoming subject to attachment or commencement of public auction proceedings concerning consideration placed or deposited by YY Co. as security for the obligations of YY Co. to XX Co. relating to the transactions pursuant to consignment of Commodity Clearing Transactions; or
  - (5) Becoming subject to an action that corresponds to or is similar to any of the foregoing pursuant to the laws of a foreign country.
2. Upon occurrence of any of the following with respect to YY Co., and subject to demand from XX Co., YY Co. shall become subject to acceleration of its obligations to XX Co. relating to consignment of Commodity Clearing Transactions and shall promptly satisfy such obligations:

- (1) Becoming delinquent in performing any part of its obligations to XX Co. relating to the transactions pursuant to consignment of Commodity Clearing Transactions; or
- (2) Becoming subject to attachment or commencement of public auction proceedings concerning consideration placed or deposited by YY Co. as security for the obligations of YY Co. owed to XX Co. (excluding obligations relating to the transactions pursuant to consignment of Commodity Clearing Transactions).

#### **Article 8. Measures in Cases Where Payments Are Suspended**

1. When YY Co. shall be involved the acceleration of obligation under the preceding Article, XX Co. may furnish the request for the liquidation of unsettled items of all YY Co.'s Clearing Contracts pursuant to consignment of Commodity Clearing Transactions to Designated Commodity Exchange as prescribed in the rule of Designated Commodity Exchange.
2. When XX Co. has delivered the intension under the preceding Paragraph, XX Co. shall report to JCCH immediately.
3. In case where YY Co. has become to be treated as a defaulter by the Designated Commodity Exchange under the notification of Paragraph 1, and then XX Co. shall be suffered a loss as a result of the close out the position of YY Co. by offsetting sells or offsetting buys of Physical Delivery Futures Transactions, Cash Settlement Futures Transactions and Index Futures Transactions, or the close out by offsetting sells, offsetting buys or Exercise of Option Transactions (including consignment thereof), YY Co. shall pay the amount for its loss to XX Co. promptly.
4. Notwithstanding Paragraphs 1, if YY Co. has become subject to a suspension of transactions conducted in the Commodity Market, suspension of consignment of Commodity Clearing Transactions, or expulsion from membership imposed by Designated Commodity Exchange, XX Co. shall comply with such action in the manner prescribed by Designated Commodity Exchange and JCCH and YY Co. shall comply with such action and any other action in the manner prescribed by Designated Commodity Exchange.

## **Article 9. Netting of Amounts**

1. If YY Co. becomes subject to an acceleration of obligations under the provisions of Article 7 hereof and is required to perform its obligations to XX Co. relating to the transactions pursuant to consignment of Commodity Clearing Transactions, the amount of such obligations may be offset against any and all claims held by YY Co. against XX Co. relating to the transactions pursuant to consignment of Commodity Clearing Transactions at any time regardless of the time at which such obligations are due and payable by XX Co.
2. In the event of offset under the preceding Paragraph, XX Co. may, without the need for prior notice and without undertaking prescribed procedures, apply the amounts of the deposits of YY Co. held by XX Co. that are otherwise refundable in satisfaction of the obligations of YY Co.
3. When calculating any netting of amounts under Paragraphs 1 and 2 above, the rates of interest and late payment penalties shall be applicable to obligations owing to XX Co. until the date on which the calculation is made, and transfer these rates are satisfied shall be as prescribed by XX Co.

## **Article 10. Disposition of Substitute Securities, etc.**

If YY Co. becomes subject to an acceleration of obligations under the provisions of Article 7 hereof, XX Co. may at XX Co.'s discretion as to, inter alia, the method, timing, location and price, dispose of Substitute Securities (*i.e.*, Substitute Securities, etc. prescribed in Article 9.1 of the Clearing Margin Rules by JCCH) placed by YY Co. as Clearing Margin, and may apply the balance of the resulting proceeds less any expenses to satisfaction of such obligations notwithstanding any legal priorities, without any notice or warning and without undertaking any statutory procedures, to ensure performance of obligations relating to transactions pursuant to Commodity Clearing Transactions, and for the account of YY Co.. Moreover, if any obligations remain outstanding after such disposition, YY Co. shall promptly satisfy the same.

**Article 11. Disposition of Property in Possession of XX Co.**

In the event that YY Co. becomes subject to an acceleration of obligations under the provisions of Article 7 hereof, XX Co. may dispose of any property and Securities of YY Co. in its possession, in which event, the provisions of all of the preceding Articles hereof shall apply to the handling thereof.

**Article 12. Order of Allocation for Repayment, Etc.**

In the event of satisfaction of obligations or netting of amounts under Article 9 hereof, if there is a shortfall in the amount required to satisfy all obligations of YY Co. to XX Co. relating to the transactions pursuant to consignment of Commodity Clearing Transactions, allocation may be made in accordance with to the order and method deemed appropriate by XX Co.

**Article 13. Payment of Penalty for Arrears**

If YY Co. has failed to perform its obligations to XX Co. in relation to the transactions pursuant to consignment of Commodity Clearing Transactions, YY Co. shall upon demand by XX Co. pay XX Co. a penalty for arrears at the rate prescribed by XX Co. applicable from the day following the due date for performance thereof until the date of the performance.

**Article 14. Prohibition Against Assignment of Claims**

YY Co. shall not assign to a third party any claims it holds against XX Co. in relation to the transactions pursuant to consignment of Commodity Clearing Transactions.

**Article 15. Termination of This Agreement**

1. This Agreement may be terminated by mutual agreement pursuant to discussions between XX Co. and YY Co.

2. In addition to the provision of the preceding Paragraph, either party hereto may terminate this Agreement by furnishing the other party with written notice of such intent by month(s) prior to the desired termination date.
3. In addition to the provisions of Paragraphs 1 and 2 above, XX Co. may terminate this Agreement upon occurrence of any of the events prescribed in Subparagraphs of Article 7.1 or 7.2 hereof.
4. XX Co. and YY Co. shall notify respectively JCCH and Designated Commodity Exchange in advance if XX Co. intends to terminate this Agreement under the provisions of Paragraphs 1 through 3 above. If termination is under Paragraph 1 above, such notice shall be furnished by not later than three business days prior to the desired termination date, and if termination is under Paragraph 2 above, such notice shall be furnished promptly after XX Co. either furnishes written notice of such intent to YY Co. or receives written notice of such intent from YY Co. If termination is under Paragraph 3 above, such notice shall be furnished by not later than one day prior to the desired termination date (or if such date is a holiday the immediately preceding date).
5. The provisions herein shall continue to apply to Commodity Clearing Transactions that are consummated until termination of this Agreement (In case where YY Co. has become to be treated as a defaulter by the Designated Commodity Exchange under the notification of Article 8.1, and then cases involving the close out by offsetting sells or offsetting buys of Physical Delivery Futures Transactions, Cash Settlement Futures Transactions and Index Futures Transactions, or the close out by offsetting sells, offsetting buys or Exercise of Option Transactions (including consignment thereof) or cases where such actions are taken in compliance with actions imposed by Designated Commodity Exchange and JCCH under the provisions of Article 8.4 hereof (including consignment thereof)).
6. Notwithstanding the provisions of Paragraphs 1 through 3 above, termination of this Agreement shall not be effective until the notice prescribed in Paragraph 4 above is furnished by XX Co.

## **Article 15-2. Termination by Special Agreement**

1. Notwithstanding the provisions of Article 15 hereof, when conditions for termination of this Agreement have been set in advance from the view point of ensuring discharge of obligations relating to transactions based on consignment of Commodity Clearing Transactions by the agreement between XX Co. and YY Co., and YY Co. becomes subject to such conditions, this agreement may be terminated by XX Co. by making an offer of termination to YY Co. in writing on or before the day prior to the expected day of termination (if holidays, shall be moved forward accordingly).
2. For the termination of this Agreement (hereinafter referred to as "Special Termination"), XX Co. shall give notice to JCCH promptly after XX Co. makes an offer of termination to YY Co. and before the day prior to the expected day of termination (if holidays, shall be moved forward accordingly).
3. For the Commodity Clearing Transactions concluded before the Special Termination (including resale, repurchase and exercise of option relating to the Special Termination), this agreement shall remain applicable.
4. In addition to Paragraph 3, for transactions which are deemed particularly necessary by JCCH from the view point of ensuring fulfillment of settlement, this Agreement shall remain applicable.
5. Notwithstanding the provisions of Paragraph 1 hereof, if XX Co. does not make an offer stipulated in Paragraph 2 hereof, the Special Termination will not be inure.

## **Article 15-3. Settlement of positions in current month**

XX Co. and YY Co. shall provide special provision about the following Subparagraph to transactions pursuant to consignment of Commodity Clearing Transactions for execution of debt on sound of view.

- (1) YY Co. shall promptly furnish XX Co. with reports of necessary matters until designated date of XX Co. regarding settlement or delivery of YY Co. holding positions in current month and supply of delivery commodity etc.;
- (2) YY Co. shall promptly furnish XX Co. with reports of warehouse receipt etc for settlement by delivery or date of pay for delivery.

2. Notwithstanding the provision of the preceding Paragraph XX Co. and YY Co. shall provide special provision about non-delivery for YY Co. holding positions in current month.
3. When YY Co. shall be breached special provision under Paragraphs 1 through 2 above, XX Co. may at XX Co.'s discretion as to dispose of YY Co. holding unsettled positions in current month for transactions pursuant to consignment of Commodity Clearing Transactions by offsetting buys or offsetting sells, and for the account of YY Co..

#### **Article 16. Reports**

1. When requested by XX Co., YY Co. shall promptly furnish XX Co. with reports of necessary matters regarding transactions pursuant to consignment of Commodity Clearing Transactions that are subject to the provisions of this Agreement.
2. YY Co. shall promptly furnish XX Co. with written notice upon occurrence of any of the events prescribed in Subparagraphs of Article 7.1 or 7.2 hereof, or upon becoming subject to a suspension of transactions conducted in the Commodity market, suspension of consignment of Commodity Clearing Transactions, or expulsion from membership by Designated Commodity Exchange (limited to those relating to the transactions pursuant to consignment of Commodity Clearing Transactions under this Contract).

#### **Article 17. Duties of YY Co.**

If a replacement deposit is placed by YY Co. or an Clearing Intermediary with furnishing XX Co. with written notice of such fact, YY Co. shall also furnish XX Co. with notice of necessary matters pursuant to the Clearing Margin Rules prescribed by JCCH.

#### **Article 18. Confidentiality**

XX Co. and YY Co. shall maintain confidentiality with respect to the business secrets of each other to which they become privy during the course of conducting business pursuant to this Agreement, shall not use the same for any other purpose, and shall not disclose the

same to a third party except when necessary to comply with an audit conducted by Designated Commodity Exchange or JCCH, or other appropriate reason.

#### **Article 19. Notification of Change of Registered Information**

YY Co. shall promptly furnish XX Co. with written notice upon a change of its trade name, representative, signatures or seals registered with XX Co., principal address or address of administrative office, or other matters.

#### **Article 20. Force Majeure**

1. If the return of security pursuant to a request by YY Co. is delayed because of circumstances which are out of XX Co's control such as natural disaster, XX Co. shall bear no liability for damages resulting from such delay.
2. If security is lost, damaged or destroyed for the reason listed in the preceding Paragraph, XX Co. shall bear no liability for damages resulting from the same.
3. After XX Co. checks with due caution the seals and signatures used in notifications and other documents against the notified seals and signatures, XX Co. shall bear no responsibility for any damages resulting from the forgery of, falsification of, or other accident with respect to such notifications and documents.

#### **Article 21. Effect of Notifications**

If notices relating to the transactions pursuant to consignment of Commodity Clearing Transactions sent by XX Co. to the address or administrative office registered by YY Co. with XX Co. are late or fail to arrive because of fault attributable to YY Co., said notices shall be deemed as having arrived at the time normally required for completion of such delivery.

## **Article 22. Information Sent by Electronic Means**

With the consent of XX Co., the written reports under Article 16.2 hereof and the written notices under Article 19 hereof (excluding changes to signatures and seals) otherwise required to be delivered by YY Co. in written form may instead be provided by means employing organizations that engage in electronic information processing or other information transmission technology. In such cases, the relevant reports or notices shall be deemed as having been conducted by YY Co. in written form.

## **Article 23. Governing Law**

This Agreement shall be governed by and interpreted under the laws of Japan.

## **Article 24. Consent to Jurisdiction**

The Court having jurisdiction over the location where the head office or branch of XX Co. is situated shall have jurisdiction over lawsuits concerning transactions pursuant to consignment of Commodity Clearing Transactions falling under this Agreement.

## **Article 25. Consent for Execution of Agreements for Give-ups**

1. YY Co. shall obtain the prior written consent of XX Co. for any instance involving the execution by YY Co. of an agreement for Give-ups.
2. Upon cancellation of an agreement for Give-ups, YY Co. shall promptly furnish XX Co. with notice of such fact.

IN WITNESS WHEREOF, this Agreement has been executed in two original copies, with XX Co. and YY Co. retaining one original in each of their possessions.

Date:

Address

Trade Name or Name

Name of Representative (Clearing Participant) [*seal*]

Address

Trade Name or Name

Name of Representative (Non-Clearing Participant) [*seal*]

(Note 1) The number of month(s) consisting of a period of one month or greater as agreed between XX Co. and YY Co. must be entered in the space appearing in Article 15.2 given by “ month(s).”

(Note 2) If the conditions for termination of this Agreement from the view point of ensuring discharge of obligations set forth in Paragraph 1 of Article 15-2 are not set in advance by the agreement between XX Co. and YY Co., said article can be deleted from this Agreement.

(Note 3) The court of jurisdiction under Article 24 may be changed as deemed appropriate by agreement between XX Co. and YY Co.

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