

Disclaimer:

This English translation of the Operating Rules of the National Futures Protection Fund is provided for the information purpose only. National Futures Protection Fund assumes no responsibility for any errors or omissions in its English language text. Accordingly, all questions that may arise in regard to the meaning of the words, provisions and stipulations thereof shall be decided in accordance with the official Japanese language text.

(translator's note)

In 2019, English translation of Japanese main Laws, including the Commodity Futures Trading Act ("the Act") and the Financial Instruments and Exchange Act ("the FIE Act"), started to be publicized by the Government, and terms in this translation of the Article of Incorporation and the Operating Rules of the Fund basically conform to the terms of the governmental translation as possible, but some of the terms are not.

1. Some basic terms such as "FCMs" (futures commission merchants), "customers" and "commodity trade" were the terms used in the original translation of the Article of Incorporation and the Operating Rules, which were made just after the establishment of the Fund in 2005. The English terms used there were adopted from the terms used in the Chicago Board of Trade, U. S. A., because the English translations of Japanese Laws were not available then. And now these terms are regarded preferable to be retained unchanged, in light of consistency with traditional business practice of the Fund.
2. Originally the Articles of Incorporation and the Operating Rules of the Fund were solely based on "the Act" and related legislation, but after the financial policy reform in 2013, legal terms from two different sources, "the Act" of commodity field and "the FIE Act" of financial field, with related legislation of each, became co-existing in the Fund's Articles of Incorporation and the Operating Rules. The detail is as follows.

In the year 2013, the amendment of the FIE Act came into effect, which enabled Financial Instruments Exchanges under the FIE Act to deal with transactions of commodity futures (formerly traded only on the Commodity Exchanges under the Act) together with other financial instruments such as stocks and securities. And this reform caused such a situation that commodity futures are traded on both the Commodity Exchanges and the Financial Instruments Exchanges (which are commonly called the General Exchanges). As the principle of the reform was to apply equivalent rules of customer protection as possible for commodity trades on both

exchange systems, then virtually same rules of customer protection were stipulated in the Act and the FIE Act with each peculiar terms. And National Futures Protection Fund became tasked with customer protection for commodity futures traded on both Exchanges.

This complicated situation entailed a wide range of mixture of legal terms derived from the two different fields when the Fund revised its Article of Incorporation and Operating Rules to adjust to the new systems.

For example, the Act uses the terms “segregation” and the FIE Act uses the term “separate management” for the objects of almost same meaning. In many parts of the Articles of Incorporation and the Operating Rules of the Fund, terms from both legal sources appear in parallel contexts, if such complicated texts are literally translated into English, the result may be rules too difficult to be understood.

Under such circumstance, in order to avoid complication, this English translation is made under the following principle.

When a Japanese text brings two different words of almost the same meaning (from commodity field and financial field), and if the word from commodity field is translated into English word such as “segregation”, the other word from financial field shall be translated into the same English word with a prefix “S-” on the head, creating a word such as “S-segregation”. Thus, for example, if such words “segregation” and “S-segregation” appear in the English text, the former means “segregation made under the Act or related legislation, while the latter means “the equivalent of segregation made under the FIE Act or FIE-related legislation”.

Table of Contents

| | |
|--------------------------|--|
| Chapter 1: | General Provisions (Article 1~2) |
| Chapter 2: | General Customer Payment etc. & Fund for Customer Protection (Article 3~10) |
| Section 1. | General Customer Payment |
| Section 1-2. | S-General Customer Payment |
| Section 2. | Fund for Customer Protection and Obligation Fees etc. |
| Chapter 3: | Segregation of Customer Property etc. (Article 11~26) |
| Section 1. | Preservation Measures of Customer Property |
| Section 1-2 | Preservation Measures of S-Customer Property |
| Section 2. | Segregation Settlement Agreement |
| Section 2-2 | S-Segregated Settlement Agreement |
| Section 3. | Reporting and Surveillance |
| Chapter 4. | Settlement Procedure (Article 27~43) |
| Section 1. | General Rules |
| Section 2. | Notice of Settlement Case |
| Section 3. | Assessment of Repaying Difficulty |
| Section 4. | Collection of Segregated Property etc. |
| Section 5. | Public Announcement of Settlement and Examination |
| Section 6. | Settlement Payment |
| Chapter 5. | Proceeding of Voluntary Settlement (Article 44~49-5) |
| Section 1. | Authorization of Voluntary Settlement Plan etc. |
| Section 2. | Financing of Funds for Refunds |
| Section 3 | Financing of S-Funds for Refunds |
| Chapter 6. | Fund Subrogation Settlement (Article 50~58) |
| Section 1. | Fund Subrogation Settlement Operations |
| Section 2. | Fund Subrogation Settlement Agreement |
| Chapter 6-2 | Submission of Customer Lists and other operations pursuant to Chapter 4, Section 5, Chapter 5, Section 3 and Chapter 6, Section 3 of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Article 58-2) |
| Chapter 6-3 | Request for Petition to Commence Bankruptcy Proceedings (Article 58-3) |
| Chapter 7. | Miscellaneous Provisions (Article 59~62) |
| Supplementary Provisions | |

Chapter 1: General Provisions

Article 1. (Purpose)

The purpose of these Operating Rules is to set forth measures the National Futures Protection Fund (hereinafter referred to as “the Fund”) shall conduct for operations (including S-operations, hereinafter the same applies), pursuant to the provisions of Article 301, Paragraph 1 of the Commodity Futures Trading Act* (Act No. 239 of 1950; hereinafter referred to as “the Act”) and of Article 4, Paragraph 1 of supplementary provisions of the Amending Act of the Financial Instruments Exchange Act (Act No. 86 of 2012; hereinafter referred to as “the FIE Amending Act”), thereby facilitate its proper and smooth implementation of business.

(translator’s note)

*Commodity Derivatives Transaction Act (Japanese Law Translation: JLT)

Article 2. (Terminology)

1. The terminology used in the Operating Rules, in addition to that is specifically stipulated hereto, conforms with the Act, the Enforcement Order of the Commodity Futures Trading Act (Cabinet Order No. 280 of 1950; hereinafter referred to as “the Cabinet Order”), the Enforcement Ordinance of the Commodity Futures Trading Act (Ministerial Ordinance No. 3 of 2005 of Ministry of Agriculture, Forestry and Fisheries and Ministry of Economy, Trade and Industry; hereinafter referred to as “the Ordinance”), the Financial Instruments and Exchange Act (Act No.25 of 1948; hereinafter referred to as “the FIE Act”), the Enforcement Order of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965; hereinafter referred to as “the FIE Enforcement Cabinet Order”) and the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52 of 2007; hereinafter referred to as “the FIB Ordinance”), the Ordinance on Investor Protection Funds (Ordinance of the Ministry of Finance No. 125, 1998; hereinafter referred to as “the IPF Ordinance”) and the Articles of Incorporation of the Fund.
2. The manners the Fund conducts operations shall be in accordance with the Act, the Cabinet Order, the Ordinance, the FIE Act, the FIE Enforcement Cabinet Order, the FIB Ordinance, the IPF Ordinance and the Articles of Incorporation of the Fund in addition to items stipulated hereto.

Chapter 2: General Customer Payment etc. & Fund for Customer Protection

Section 1. General Customer Payment

Article 3. (Eligibility to Receive General Customer Payment)

1. Any person who has ordered to a member of the Fund for trades etc. (excluding clearing trade) on commodity exchanges (hereinafter referred to as a “customer”) who does not fall under either of the items stipulated below shall qualify as a general customer* eligible to receive a payment for claims subject to compensation** (hereinafter referred to as “general customer payment”***) from the Fund in accordance with Article 269, Paragraph 1 of the Act and Article 41 of the Cabinet Order.

(translator’s note)

*general customer: JLT=Act § 296① general consignor

**claims subject to compensation: JLT=Act § 307④ claims to be compensated

***general customer payment: JLT=Act § 270 payments to general consignors

- 1) futures commission merchant (hereinafter referred to as “FCM”)

(translator’s note)

* Articles of Incorporation § 6①

JLT=Act § 2②③ commodity derivatives business operator

- 2) qualified institutional investor stipulated in Article 2, Paragraph 3, Item 1 of the FIE Act.
- 3) commodity trading advisor stipulated in Article 2, Paragraph 4 of the Act regarding Regulation of Business concerning Commodities Investment (Act No. 66 of 1991).
- 4) state
- 5) Bank of Japan
- 6) customer protection fund*
(translator’s note) * Act § 270 consignor protection fund
- 7) foreign state or any person equivalent to items listed above under foreign legislation
- 8) financial instruments business operator prescribed in Article 2, Paragraph 9 of the FIE Act (limited to those who deal with type II financial instruments business prescribed in Article 28, Paragraph 2 of the FIE Act) who is at the same time commodity investment broker prescribed in Article 35 of the Act regarding Regulation of Business concerning Commodities Investment (Act No. 66 of 1991.), and the equivalents to those prescribed here under Foreign Laws.
- 9) any person designated by the competent ministers in addition to items listed above.

2. Notwithstanding the preceding paragraph, when an FCM (limited to those who do business prescribed in Article 2, Paragraph 22, Item 1 or Item 2 of the Act in offices or branches of domestic location, the same shall apply hereafter) who is either a member or non-member

of the Fund, entrusted an order for trades on commodity exchanges on the accounts of its general customers (limited to that stipulated in Article 2, Paragraph 21, Item 1 or Item 3 of the Act) to another FCM who is a Fund member, the member/non-member FCM who entrusted the order for trade shall be considered as a general customer of the other member FCM who assumed such entrustment.

Article 4. (Claims Subject to Compensation)

1. The amount of claims subject to compensation eligible for general customer payment shall be the amount resulted from the calculation as follows;

- 1) Calculate a net amount of claims that a general customer holds against the FCM who has been assessed to be incapable of settlement according to Article 305, paragraph 1 of the Act (hereinafter referred to as “designated FCM”*), concerning the balance of trades etc. on commodity exchanges as of the day of public announcement made in accordance with Article 36, paragraph 1.

(translator’s note)

*designated FCM: Act § 305① certified commodity derivatives business operator

- 2) An amount of debts the general customer owes to the designated FCM concerning the trades etc. on commodity exchanges as of the day above shall be subtracted from the amount.
- 3) An amount of clearing margin either the commodity exchange or the commodity clearinghouse (hereinafter referred to as “commodity exchange etc.”) holds for the customer for which the customer has right to demand refund shall be subtracted from the amount.
- 4) If the result of the calculation above does not exceed the amount of segregation settlement (meaning settlement made in accordance with the segregation settlement agreement stipulated in Article 15, Paragraph 1; the same applies hereinafter), the amount of claims subject to compensation shall be zero, but if the result exceeds the amount of segregation settlement, the amount of claims subject to compensation shall be the difference.

(translator’s note)

In order to avoid complication in explanation of claims subject to compensation, four items were set up under the Paragraph 1, prescribing the calculation procedure step by step.

2. The claims that a general customer holds against the designated FCM concerning the trades etc. on commodity exchanges stipulated in the preceding paragraph shall not include claims

incurred from troubles prescribed in Article 2, Paragraph 22, Item 1 and 2 of the Act, which are also prescribed in Article 112 of the Enforcement Ordinance.

Article 5. (Limit of General Customer Payment)

1. The amount of the general customer payment shall be limited to JPY 10 million per general customer as stipulated in Article 307, Paragraph 3 of the Act and Article 47 of the Cabinet Order.
2. In the case that an FCM is regarded as a general customer under Article 3, Paragraph 2, each general customer who caused the FCM to be regarded in such a manner shall individually have the status of a general customer, in application of the preceding article and the preceding paragraph.
3. In the event that two or more claims are found to belong to a single customer, they shall be considered as one claim of the customer when Paragraph 1 above applies.

Section 1-2 S-General Customer Payment

Article 5-2 (Eligibility to Receive S-General Customer Payment)

1. Any person who has ordered to an S-member of the Fund for commodity derivatives transaction-related transactions* (hereinafter referred to as an “S-customer”) who does not fall under either of the items stipulated below shall qualify as an S-general customer** eligible to receive a payment for S-claims subject to compensation (hereinafter referred to as “the S-general customer payment”) from the Fund in accordance with Article 79-20, Paragraph 1 of the FIE Act and Article 18-5 of the FIE Enforcement Cabinet Order.

(translator’s note)

* FIE Act Article 79-20① commodity derivatives transaction-related transactions

**S-general customer: FIE Act § 79-20① general customer

- 1) qualified institutional investor stipulated in Article 2, Paragraph 3, Item 1 of the FIE Act
- 2) state, local government or corporation established by special law and with special procedure (excluding the persons prescribed in the preceding item)
- 3) investor protection fund
- 4) foreign state or other person equivalent to the preceding three items under foreign legislation
- 5) Bank of Japan
- 6) Deposit Insurance Corporation
- 7) Agriculture and Fishery Co-operative Savings Insurance Corporation
- 8) Insurance Policyholders Protection Corporation stipulated in Article 259 of the Insurance

Business Act (Act No. 105 of 1993)

- 9) any person equivalent to those specified in the items 5) through 8) under foreign legislation
 - 10) any person in addition to items listed above, designated by the Commissioner of Financial Services Agency or the Minister of Finance.
2. Notwithstanding the preceding paragraph, when an FIB operator (either S-member or non-S-member (limited to one who do S-commodity trade related business* in its head office, a domestic office or a domestic business office (with regard to an FIB operator as a foreign corporation, in its office or business office in Japan)) conducts S-commodity trade on the accounts of its S-customers with another S-member, the FIB operator shall be regarded as an S-customer of the another S-member.
- (translator's note)* S-commodity trade related business: FIE Act § 79-20③(iv)commodity derivatives transaction-related business

Article 5-3 (S-Claims Subject to Compensation)

1. The amount of S-claims subject to compensation eligible for S-general customer payment shall be the amount resulted from the calculation as follows;
 - 1) Calculate a net amount of claims a S-general customer holds against the FIB operator* who has been assessed to be incapable of settlement according to Article 79-55 of the FIE Act, applied under Article 4, Paragraph 1 of supplementary provisions of the FIE Amending Act (hereinafter referred to as “designated FIB operator”), concerning the balance of S-commodity trade* as of the day of public announcement made in accordance with Article 36-2, paragraph 1.

(translator's note)

*FIE Act § 31 ① financial instruments business operator

** JIPF A.I. § 16 ② subject commodity derivatives transaction-related transactions
 - 2) If whole or part of S-customer property belonging to S-claims subject to compensation has been provided as collateral, the value of the collateralized whole or part, estimated in accordance with relevant Ordinances* of Cabinet Office and Ministry of Finance, limited to the value of the secured claims, shall be subtracted from the amount.
- (translator's note) *relevant Ordinances: IPF Ordinance Article 3
- 3) An amount of debts the S-general customer owes to the designated FIB operator concerning the trades executed on S-exchanges etc. (if the debts falls under item 2 above, then the value shall be subtracted from the amount) shall be subtracted.
 - 4) If the amount of the S-customer property belonging to S-claims subject to compensation

includes any compensable claim stipulated in the Article 60, paragraph 1 of the Act on Book Entry of Corporate Bonds and Shares (Act No. 75,2001), the value of the compensable claim, estimated in accordance with relevant Ordinances* of Cabinet Office and Ministry of Finance (if the included assets fall under Paragraph 5 of the same article, then the value reduced under the paragraph shall be subtracted from the amount), shall be subtracted.

(translator's note) *relevant Ordinances: Article 4-2 of the IPF ordinance

- 5) An amount of clearing margin financial instrument exchanges or financial instrument clearinghouses (hereinafter referred to as "S-exchanges etc.") hold, on which the S-customer has right to claim for refund, shall be subtracted from the amount.
- 6) If the result of the calculation above does not exceed the amount of S-segregation settlement (made in accordance with the S-segregation settlement agreement stipulated in Article 23-2, paragraph 1 of the Rules; the same shall apply hereinafter), S-claims subject to compensation shall be zero, but if the result exceeds the amount of S-segregation settlement, S-claims subject to compensation shall be the difference.

(translator's note)

In order to avoid complication in explanation of S-claims subject to compensation, three items (Item 1, 2 and 3) were set up under Paragraph 1, prescribing the calculation procedure step by step, and original three items are moved down to Item 4, 5 and 6.

2. The claims that an S-general customers stipulated in the preceding paragraph holds with the designated FIB operator concerning S-commodity trade shall not include claims incurred from troubles on financial instruments business prescribed in Article 118 of the Ordinance of Cabinet Office.

Article 5-4 (Limit of S-General Customer Payment)

1. The amount of the S-general customer payment shall be limited to JPY 10 million per S-general customer, as stipulated in Article 79-57, paragraph 3 of the FIE Act and Article 18-12 of the FIE Enforcement Cabinet Order, applied under Article 4, paragraph 1 of supplementary provisions of the FIE Amending Act.
2. In the case that an FIB operator is regarded as an S-general customer under Article 5-2, paragraph 2, each S-general customer who caused the FIB operator to be regarded in such a manner shall individually have the status of an S-general customer, in application of the preceding article and the preceding paragraph.
3. In the event that two or more claims are found belonging to a single S-customer, they shall be considered as one claim belonging to the S-customer when Paragraph 1 above applies.

Section 2. Fund for Customer Protection and Obligation Fees etc.

Article 6. (Fund for Customer Protection)

1. The fund for customer protection* shall be established in the Fund to pay for expenses necessary for operations of the general customer payment, S-general customer payment and financing of funds for refunds.

(translator's note)

* As the term "customer protection fund" is used for the corporate body in § 3①6), the term "fund for customer protection" is adopted here for the fund money.

2. The fund for customer protection shall not be used for other purpose than paying for expenses necessary for operations of the general customer payment, S-general customer payment and financing of funds for refunds.
3. The fund for customer protection shall consist of a portion of the funds inherited from the Association of Compensation Fund for Consigned Liabilities in Commodity Futures Inc. (hereinafter referred to as "the Association") under Article 19, Paragraph 5 of the supplementary provisions of the Act of Partial Amendment to Commodity Exchange Act (Act No. 43 of 2004; hereinafter referred to as "the Amending Act of 2004"), obligation fees paid by members as stipulated in the following article, Paragraph 1, and the money transferred from the reserve funds stipulated in Article 319, Paragraph 1 of the Act (hereinafter referred to as "reserve funds").
4. The fund for customer protection shall be maintained at the amount of JPY 7,000 million.

Article 7. (Payment of Obligation Fees)

1. In the event that a balance of the fund for customer protection falls short of the level prescribed in the preceding article, Paragraph 4 (hereinafter referred to as "maintenance level"), the Fund may collect obligation fees from its members.
2. The obligation fees prescribed in the preceding paragraph shall consist of fees collected from members who newly enrolled with the Fund (hereinafter referred to as "new member obligation fee" and "new members" respectively), and fees collected from all members other than those paying the new member obligation fee (hereinafter referred to as "general member obligation fee").
3. In the event of collecting obligation fees, the Fund shall create a program in its business plan to rebuild the fund for customer protection (hereinafter referred to as "replenishment program"), in which an amount of difference between the maintenance level and the current balance of the fund for customer protection (hereinafter referred to as "required amount of replenishment") shall be replenished in about four business years, and shall collect

obligation fees from members accordingly.

4. The Fund may revise the replenishment program in the business plan if circumstances have changed.
5. The Fund shall, upon creating or revising a replenishment program under Paragraph 3 or the preceding paragraph, notify the members subject to collection of the obligation fees of the amount to be paid, time limit and other pertaining information. Members shall make a payment upon receiving the notice, according to the terms thereof.
6. In the event that a member has become an FCM subject to notice or a S-member has become an FIB operator subject to notice, the Fund may exempt the member or the S-member from payment of the obligation fee.
7. A member who failed to pay its obligation fee by the time limit notified under Paragraph 5 shall pay in addition to the obligation fee, a late payment charge of an annual rate of 14.5%, calculated according to the number of days counted from the next day of the due date to the actual payment date.
8. In the event that the Fund requests for necessary information to determine an amount of obligation fee, members (including those intend to enroll in the Fund) shall provide it to the Fund.
9. In the case that a member withdrew from the Fund according to Article 277, Paragraph 4 of the Act (including the case that an S-member withdrew from the Fund according to Article 277, Paragraph 4 of the Act applied *mutatis mutandis* under Article 4, Paragraph 6 of supplementary provisions of the FIE Amending Act), the withdrawn member shall, in application of the provisions of this Section, still be regarded as a member and be subject to the obligation fee to be appropriated for the expenses of the Fund due to the operation for the member who fell under either category prescribed in the items in Article 303, Paragraph 1 or Paragraph 3 of the Act, or for the S-member on whom the Fund received notification under Article 79-53, Paragraph 1 or Paragraph 3 through 5 of the FIE Act, before the member's withdrawal.

Article 8. (The Amount of New Member Obligation Fee)

1. In the event that the Fund decides to collect new member obligation fee in a business plan, it shall determine the per contract unit of the new member obligation fee by calculation as follows: the current business year portion of the required amount of replenishment excluding the amount to be transferred from the reserve fund to the fund for customer protection (hereinafter referred to as "required amount of replenishment for the single business year"), divided by the total number of contract units traded by all members in the recent one year period.
2. A new member shall make a monthly payment of new member obligation fee that is

calculated by the per contract unit new member obligation fee specified in the preceding Paragraph, multiplied by the number of contract units traded by the new member for each month (at least 50,000 yen), from the month of enrollment to the end of the business year.

Article 9. (The Amount of General Member Obligation Fee)

1. The general member obligation fees shall be paid by members except those subject to the new member obligation fees, the amount for each member thereof shall be the total of amounts specified in the following items.
 - (1) The amount equivalent to ten hundredth (10/100) of the required amount of replenishment for the single business year, divided by number of the members.
 - (2) The amount equivalent to twenty hundredth (20/100) of the required amount of replenishment for the single business year, allocated to each member proportionately by the ratio of each member's summed amount specified in the following sub-items to the summed amount of those of the whole members, for the business year two years prior to the date of the fee payment. (If the result of calculation turns out to be negative, use zero.)
 - a. brokerage commissions received
 - b. profit/loss derived from commodity trade (in the case of a S-member, limited to the profit/loss derived from S-commodity trade).
 - (3) The amount equivalent to twenty hundredth (20/100) of the required amount of replenishment for a single business year, allocated to each member proportionately by the ratio of the number of each member's customers holding open positions on commodity trades or S-customers holding open positions on S-commodity trades (hereinafter referred to as "number of position-holding customers etc.") to the number of positions holding customers etc. of the whole members, which numbers shall be counted as of the end-of-months and averaged for the recent one-year period.
 - (4) The amount equivalent to fifty hundredth (50/100) of the required amount of replenishment for a single fiscal year, allocated to each member proportionately by the ratio of the total number of contract units traded by each member (limited to the contract units traded as commodity futures transactions or commodity-related market derivatives transactions) to the total number of contract units traded by the whole members, counted for the recent one-year period.

In the event that the new member obligation fee is submitted, an estimated amount of transfer from the reserve funds to the fund for customer protection or an amount of the general member obligation fee may be revised as deemed necessary.

2. Brokerage commissions received, profit/loss from commodity trading, the number of position-holding customers etc. and the total number of contract units traded stipulated in

Item (2),(3) and (4) of the preceding Paragraph shall be based on the reported data of money amount, number of customers pertaining to trades and number of contract units traded, which are reported monthly in accordance with the Form No. 12 specified in Item 1, Paragraph 1, Article 117 of the Ordinance.

Article 10. (Complementary Measures to Protection of Customer Liabilities)

In order to protect customer liabilities or S-customer liabilities, as a part of customer protection operation or S-customer protection operation, the Fund may accept deposit of guarantee money etc. under agency contracts, upon member FCMs' or S-member FIB operators' request.

Chapter 3: Segregation of Customer Property etc.

Section 1. Preservation Measures of Customer Property

Article 11. (Preservation Measures of Customer Property)

1. In the case that a member takes measures to preserve customer property subject to preservation in accordance with Article 210, Item 1 of the Act, it shall conclude one or more of the agreements prescribed in the following items according to the category of measures, as well as a segregation settlement agreement stipulated in Article 15, Paragraph 1.

1) Designated Trust

A trust agreement with a financial institution engaged in trust business (in Article 12, Article 18, Article 22 and Article 30, referred to as "trust institution") as stipulated in Article 98, Paragraph 1, Item 1 of the Ordinance (in the following Article, referred to as "designated trust agreement").

2) Fund Segregated Deposit

An agreement with the Fund as stipulated in Article 98, Paragraph 1, Item 2 of the Ordinance (hereinafter referred to as "Fund segregated deposit agreement").

3) Bank Guarantee

An agreement of guarantee entrustment with a financial institution (in Article 14, Article 15, Article 18, Article 20, Article 22 and Article 30, referred to as "guarantor financial institution") as stipulated in Article 98, Paragraph 1 Item 3, (1) of the Ordinance (in Article 14, referred to as "bank guarantee agreement").

4) Fund Subrogation Settlement

An agreement for settlement in subrogation by the Fund as stipulated in Article 98, Paragraph 1, Item 4 of the Ordinance (in Article 15 and Article 55, referred to as "Fund subrogation settlement agreement").

2. In the event of taking measures to preserve customer property subject to preservation in

accordance with the Article 210, Item 1 of the Act, the member shall follow rules the Fund separately stipulates besides the stipulation of preceding paragraph.

Article 12. (Designated Trust Agreement)

The designated trust agreement shall satisfy conditions prescribed below.

- 1) A member shall be a trustor, a trust institution be a trustee, customers of the member be beneficiaries of the principal of the trust property under the designated trust agreement (in this Article, Article 15, Article 19 and Article 20, referred to as “designated trust property”).
- 2) A person appointed from among the officers and employees of the member firm (in the case that the member concludes plural designated trust agreements, a same person shall be appointed for the agent of beneficiaries concerning these designated trust agreements) as well as the Fund shall be the agents of the beneficiaries.
- 3) Notwithstanding the preceding item, in the case that the member has become an FMC subject to notice or else the Fund determines it necessary for a smooth settlement of member’s liabilities to the customers (meaning the liabilities regarding customers’ property to be returned to the customers), the Fund shall solely be the agent for the beneficiaries, except for the cases that the Fund otherwise determines.
- 4) It shall be a cash trust with an agreement for loss compensation of the principal.
- 5) The object of beneficiary right the Fund may exercise shall be the principal of the designated trust property.
- 6) Termination or partial termination of the designated trust agreement shall only be made in the cases stipulated in the sub-items below and require advance approval from the Fund as the agent for the beneficiaries. Once this approval is given, the designated trust property subject to the termination or partial termination shall not be precluded from returning to the member who is the trustor of the agreement.
 - a. In the case that the amount of principal of the designated trust property exceeds the amount required to be trusted (meaning the sum of customer property subject to preservation minus the amount of property on which other preservation measures have already been taken), and the termination or partial termination of the designated trust agreement is made within the excess amount.
 - b. In the case of changing the preservation measures to another type.
 - c. In the case of paying clearing margin to the commodity exchanges etc. for commodity trades executed on the customer’s account.
 - d. In the case of paying for settlement or delivery to the commodity exchanges etc. for commodity trades executed on the customer’s account.

- e. In the case of returning cash or securities deposited or held in the customer account to the customer.
 - f. In the case of collecting commission or else executing the member's right against the customer.
- 7) Alteration to the designated trust agreement shall not be made without advance approval from the Fund as the agent for the beneficiaries.
 - 8) The beneficiary right for the principal of the designated trust agreement shall be executed collectively by the Fund for all customers in the case that the member holding the designated trust agreement is assessed to be incapable of settlement or be subject to segregation settlement in accordance with Article 30 of the Rules. In this case, the designated trust agreement shall not be precluded from termination, as having completed its purpose.
 - 9) In the case that the member tries to terminate the designated trust agreement through a false declaration or other devious means, the Fund as the agent for the beneficiaries may refuse such termination or partial termination of the trust agreement.

Article 13. (Fund Segregated Deposit Agreement)

1. The Fund segregated deposit agreement shall satisfy conditions prescribed below.
 - 1) Securities that may be deposited with the Fund (including warehouse receipts; hereinafter in this article, referred to as "eligible securities") shall be limited to the brands the Fund separately specifies. Their estimated values shall be the market values separately specified by the Fund. In the event of depositing securities, the member shall make a pledge that such securities are the eligible securities and submit it in writing to the Fund.
 - 2) Foreign currencies that may be deposited with the Fund (hereinafter in this article referred to as "eligible foreign currencies") shall be limited to the types the Fund separately specifies. Their conversion rates to Japanese Yen shall be calculated by using foreign exchange rates the Fund separately specifies.
 - 3) Withdrawal of property deposited under the Fund segregated deposit agreement (hereinafter referred to as "Fund segregated deposit property") shall only be made in the cases stipulated in the sub-items below except in the case prescribed in Item 5. In this case, the assets withdrawn shall not be precluded from returning to the member who deposited such assets.
 - a. In the case that the estimated value of the Fund segregated deposit property exceeds the amount required to be deposited (meaning the sum of customer property subject to preservation minus the amount of property on which other preservation measures have already been taken), and the withdrawal of the property is made within the

amount of the excess.

- b. In the case of changing the preservation measures to another type.
 - c. In the case of paying clearing margin to the exchanges etc. for commodity trades executed on the customer's account.
 - d. In the case of paying for settlement or delivery to the commodity exchanges etc. for commodity trades executed on the customer's account.
 - e. In the case of returning cash or securities deposited or held in the customer account to the customer.
 - f. In the case of collecting commission or other charges for executing the member's right against customer.
- 4) The Fund shall distribute or return the interest or other legal fruits on the Fund segregated deposit property, or an equivalent amount, to the member who has deposited the property, as the Fund separately determines. However, this shall not apply on the deposit made by foreign currencies.
- 5) In the event that the member holding the Fund segregated deposit agreement has been assessed by the Fund to be incapable of settlement or subject to segregation settlement in accordance with Article 30 of the Rules, or to have fallen into the condition prescribed in Paragraph 2 of Article 33, the Fund may settle the member's liabilities to the customers on the member's behalf using the segregated deposit property. In this case, the Fund may convert the eligible securities into cash and eligible foreign currencies into Japanese Yen in order to settle the liabilities to the customers.
- 6) In the case of the preceding Item, the member may only withdraw the balance remained in the Fund segregated deposit property after the Fund fully paid the member's liabilities to the customers.
- 7) In the case of Item 5 above, the amount of settlement each customer receives shall be determined by allocating the amount of the Fund segregated deposit property (a liquidated value in the case of the eligible securities) to each customer proportionately by the ratio of each customer's claims subject to calculation to a total amount of claims subject to calculation prescribed in Article 36, Paragraph 1 of the Rules. (In the case that the amount of the Fund segregated deposit property exceeds the total amount of claims subject to calculation, the amount of allocation for each customer shall be equal to his/her claims subject to calculation.)
- 8) In the event that the member tries to withdraw the Fund segregated deposit property through a false declaration or devious means, the Fund may refuse such withdrawal.
- 9) If necessary for settlement of customer property, the Fund may restrict withdrawal of the Fund segregated deposit property.

- 10) The member concerned shall not transfer or collateralize its claimable rights for a return of the Fund segregated deposit property.
- 11) In the event that the segregation settlement agreement was canceled, the Fund may cancel the Fund segregated deposit agreement.
2. The Fund shall manage cash deposited by a member in the following manners.
 - 1) Deposit to a bank account (limited to deposit accounts that are clearly identifiable by the account name as keeping the property subject to preservation.)
 - 2) Cash trust with an account of a trust institution (meaning a financial institution engaged in trust business as stipulated in Article 137, Paragraph 2, Item 2 of the Ordinance) (limited to that with a loss compensation agreement for the principal, and clearly identifiable by the account name as keeping the property subject to preservation.)
3. The Fund shall manage the eligible securities deposited by a member in the manners stipulated below according to the category listed in each item.
 - 1) Storing by the Fund
 - a. Individual safekeeping:

The eligible securities of the Fund segregated deposit property shall be stored in a distinctly separate place from that of the Fund's own securities and other securities that are not eligible securities of the segregated deposit property (hereinafter in this article, referred to as "other securities"), and in a condition that enables immediate identification of the depositor of each security thereof.
 - b. Commingled safekeeping:

The eligible securities of the Fund segregated deposit property shall be stored in a distinctly separate place from that for the other securities, and in a condition that enables immediate identification of the ownership share of each depositor member thereof from the books of the Fund.
 - 2) Storing by a third party
 - a. Individual safekeeping:

In the case that the Fund have a third party store the eligible securities of the Fund segregated deposit property, the Fund shall have the third party store the securities in a distinctly separate place from that for the other securities, and in a condition that enables immediate identification of the depositor of each security thereof.
 - b. Commingled safekeeping:

In the case that the Fund have a third party store the eligible securities of the Fund segregated deposit property, the Fund shall have the third party separate the account for depositing the eligible Securities of the Fund segregated deposit assets from the proprietary account of the Fund, or else have the third party store the securities in a

condition that enables immediate identification of the ownership share of the eligible securities of the Fund segregated deposit assets, and also enables immediate identification of the ownership share of each depositor thereof from the books of the Fund.

4. The Fund may set a limit for each member, on the amount of deposit of eligible foreign currencies it receives from the member.
5. The Fund may impose a fee as specified by the Fund to a member when receiving a deposit of eligible foreign currencies.

Article 14. (Bank Guarantee Agreement)

The bank guarantee agreement shall satisfy the items stipulated below.

- 1) Guarantor financial institutions shall be one of the followings that satisfy requirements separately specified by the Fund.
 - a. a bank.
 - b. the Shoko Chukin Bank, Ltd.
 - c. a credit cooperative.
 - d. a Shinkin Bank
 - e. the Norinchukin Bank.
 - f. an agricultural cooperative and a federation of agricultural cooperatives that are licensed to accept deposits or savings in the course of trade.
 - g. a trust company (limited to those permitted by the Prime Minister for conducting the business related to debt guaranteeing prescribed in Article 21, Paragraph 2 of the Trust Business Law (Law No. 154 of 2004)).
 - h. an insurance company.
- 2) The bank guarantee agreement shall not be terminated or altered without prior approval from the Fund.
- 3) The maximum amount that the guarantor institution will pay to the Fund under the bank guarantee agreement (hereinafter in this Article, Article 18, Article 19 and Article 22, referred to as “guarantee amount limit”) shall be fixed in advance.
- 4) It shall be stipulated that in the event that the member holding the bank guarantee agreement is assessed to be incapable of settlement, or be subject to segregation settlement in accordance with Article 30 of the Rules, the Fund may instruct the guarantor financial institution holding the agreement to pay the amount deemed necessary up to the guarantee amount limit, for settlement of member’s liabilities to the customers.

Section 1-2 Preservation Measures of S-Customer Property

Article 14-2 (Preservation measures of S-Customer Property)

1. In the case that a S-member takes measures to preserve S-customer property to be protected in accordance with Article 43-2-2 of the FIE Act, it shall conclude one or more of the agreements prescribed in the following items according to the category of measures, as well as a S-segregation settlement agreement stipulated in Article 23-2, paragraph 1 of the Rules.
 - 1) Designated Trust
A trust agreement with a financial institution engaged in trust business (in Article 14-3, Article 23-5, Article 23-9 and Article 30-2 referred to as “trust institution”) as stipulated in Article 2, paragraph 1, item 1 of supplementary provisions of the Amending Ordinance of the Ordinance concerning Financial Instruments Business Operators (Cabinet Office Ordinance No. 11, 2014, hereinafter referred to as “the FIB Amending Ordinance”) (in the following Article referred to as “designated trust agreement”),
 - 2) S-Fund Segregated Deposit
An agreement with the Fund as stipulated in Article 2, paragraph 1, item 2 of supplementary provisions of the FIB Amending Ordinance (hereinafter referred to as “S-Fund segregated deposit agreement”).
 - 3) Bank Guarantee
An agreement of guarantee entrustment with a financial institution (in Article 14-5, Article 23-2, Article 23-7, Article 23-9 and Article 30-2 referred to as “guarantor financial institution”) as stipulated in the Article 2, paragraph 1, item 3, sub-item b of supplementary provisions of the FIB Amending Ordinance (in Article 14-5 referred to as “bank-guarantee agreement”).
 - 4) Fund Subrogation Settlement
An agreement for settlement in subrogation by the Fund as stipulated in Article 2, paragraph 1, item 4 of the FIB Amending Ordinance (in Article 23-2 and Article 55-2 referred to as “Fund subrogation settlement agreement”).
2. In the event of taking measures to preserve S-customer property in accordance with the Article 43-2-2, the S-member shall follow the stipulation the Fund separately designates besides the cases stipulated in the previous paragraph.

Article 14-3 (Designated Trust Agreement)

The designated trust agreement shall satisfy conditions prescribed below.

- 1) An S-member shall be a trustor, a trust institution be a trustee, a S-customer of the S-member be beneficiaries of the principal of the trust property under the designated trust agreement (in this Article, Article 23-2 Article 23-6 and Article 23-7 referred to as “designated trust property”).
- 2) A person appointed from among the officers and employees of the S-member firm (in the

case that the S-member concludes plural designated trust agreements, the same person shall be appointed for the agent of beneficiaries concerning these designated trust agreements) as well as the Fund shall be the agents of the beneficiaries.

- 3) Notwithstanding the preceding item, in the case that the S-member becomes an FIB operator subject to notice or else the Fund determines it necessary for a smooth settlement of S-member's S-liabilities (meaning the liabilities to be repaid to S-customers, the same applies hereinafter), the Fund shall solely be the agent of the beneficiaries, unless the Fund otherwise determines.
- 4) It shall be a cash trust with an agreement for loss compensation of the principal.
- 5) The beneficiary right the Fund will exercise shall be limited to the principal of the designated trust property.
- 6) Termination or partial termination of the designated trust agreement shall only be made in the cases stipulated in the items below and require advance approval from the Fund as the beneficiary agent. Once this approval is issued, the designated trust property subject to the termination or partial termination shall belong to the S-member who is the trustor of the agreement.
 - a. In the event that the amount of principal of the designated trust property exceeds the amount required to be trusted (meaning a sum of customer property subject to preservation minus the amount of assets other preservation measurers have already been taken), termination or partial termination of the designated trust agreement shall be made within the excess amount.
 - b. In the event of changing the preservation measures to the other type.
 - c. In the event of paying clearing margin to the S-exchanges etc. for S-commodity trades executed on the account of the S-customer
 - d. In the event of paying for settlement or delivery to the S-exchanges etc. for S-commodity trades executed on the account of S-customer
 - e. In the event of returning cash or securities that are deposited or held in the account of S-customer, to the S-customer.
 - f. In the event of collecting commission or other charges resulted from executing the S-member's right against the S-customer for providing services.
- 7) Alteration to the designated trust agreement shall not be made without advance approval from the Fund as the beneficiary agent.
- 8) The beneficiary right for the principal of the designated trust agreement shall be executed collectively by the Fund for all S-customers, in the case that the member holding the designated trust agreement is assessed to be incapable of settlement, or be subject to G-segregation settlement in accordance with Article 30-2 of the Rules. In this case, the designated trust agreement shall be considered to have served its purpose and be

terminated.

- 9) In the case that the S-member tries to terminate the designated trust agreement through a false declaration or devious means, the Fund as the beneficiary agent may refuse such termination or partial termination of the trust agreement.

Article 14-4 (S-Fund Segregated Deposit Agreement)

1. The S-Fund segregated deposit agreement shall satisfy conditions prescribed below.
 - 1) Securities that may be deposited with the Fund (including warehouse receipts; hereinafter in this article referred to as “eligible securities”) shall be limited to brands the Fund separately specifies. Their estimated values shall be the market values separately specified by the Fund. In the event of depositing securities, the S-member shall make a pledge that such securities are the eligible securities and submit it in writing to the Fund.
 - 2) Foreign currencies that may be deposited with the Fund (hereinafter in this article referred to as “eligible foreign currencies”) shall be limited to the types the Fund separately specifies. Their conversion to Japanese Yen shall be calculated by using foreign exchange rates the Fund separately specifies.
 - 3) Withdrawal of property deposited under S-Fund segregated deposit agreement (hereinafter referred to as “S-Fund segregated deposit property” shall only be made in the cases stipulated in the sub-items below, except in the case prescribed in item 5). In this case, the assets withdrawn shall not be precluded from returning to the S-member who deposited such property.
 - a. In the event that the estimated value of the S-Fund segregation deposit property exceeds the amount required to be deposited (meaning a sum of S-customer property subject to preservation minus the amount of assets on which other preservation measures have already be taken), and the withdrawal of the property is made within the amount of the excess.
 - b. In the event of changing the preservation measures to another type.
 - c. In the event of paying clearing margin to the S-exchanges etc. for S-commodity trades executed on the S-customers’ account.
 - d. In the event of paying for settlement or delivery to the S-exchanges etc. for S-commodity trades executed on the S-customers’ account.
 - e. In the event of returning cash or securities deposited or held on the S-customers’ account to the S-customers
 - f. In the event of collecting commissions or other charges for executing the S-member’s right against S-customers.
 - 4) The Fund shall distribute or return the interest on or other legal fruits of the S-Fund segregated deposit property, or an equivalent amount, to the S-member who has

deposited the property, as the Fund separately determines. However, this shall not apply on the deposit made by foreign currency.

- 5) In the event that the S-member holding the S-Fund segregated deposit agreement is determined by the Fund to be incapable of settlement or subject to S-segregation settlement in accordance with Article 30-2 of the Rules, or in the condition stipulated in Article 33, Paragraph 2 of the Rules, the Fund may settle the S-liabilities to the S-customers on the S-member's behalf using the S-segregated deposit property. In this case, the Fund may convert the eligible securities into cash and eligible foreign currencies into Japanese Yen in order to settle its liabilities to the S-customers.
 - 6) In the case of the preceding item, the S-member may only withdraw the balance remained in the S-Fund segregated deposit property after the Fund fully paid the S-liabilities to the S-customers.
 - 7) In the case of Item 5 above, the amount of settlement each S-customer receives shall be determined by allocating the amount of the S-Fund segregated deposit property (a liquidated value in the case of the eligible securities) to each S-customer proportionately by the ratio of each S-customer's claims subject to calculation to a total amount of claims subject to calculation prescribed in Article 36-2, Paragraph 1 of the Rules. (In the case that the amount of the S-Fund segregated deposit property exceeds the total amount of S-customers' claims subject to calculation, the amount of allocation for each S-customer shall be the S-customer's claims subject to calculation.)
 - 8) In the event that the S-member tries to withdraw the S-Fund segregated deposit property through a false declaration or devious means, the Fund may refuse such withdrawal.
 - 9) If necessary for settlement of S-liabilities, the Fund may restrict withdrawal of the S-Fund segregated deposit property.
 - 10) The S-member concerned shall not transfer or collateralize its claimable rights for a return of the S-Fund segregated deposit property.
 - 11) In the event that the S-segregation settlement agreement was canceled, the Fund may cancel the S-Fund segregated deposit agreement
2. The Fund shall manage cash deposited by a S-member in the following manner.
- 1) Deposit to an account of a bank (limited to a deposit account that is clearly identifiable by the account name as keeping the property subject to preservation.)
 - 2) Cash trust with an account of a trust institution (meaning a financial organization engaged in trust business stipulated in Article 2, Paragraph 1, Item 2 of supplementary provisions of the IPF Amending Ordinance (Cabinet Office/Ministry of Finance Ordinance No.1 of 2014)) with a loss compensation agreement for the principal, and limited to an account that is clearly identifiable by the account name as keeping the assets subject to preservation.)

3. The Fund shall manage the eligible securities that are deposited by an S-member in the manners stipulated below according to the category listed in each item.
 - 1) Stored by the Fund
 - a. Individual safekeeping

The eligible securities of the S-Fund segregated deposit property shall be stored in a distinctly separate place from that of the Fund's own securities and other securities that are not eligible securities of the S-segregated deposit property (hereinafter in this article, referred to as "other securities"), and in a condition that enables immediate identification of the ownership of each depositor S-member thereof from the books of the Fund.
 - b. Commingled safekeeping

The eligible securities of the S-Fund segregated deposit property shall be stored in a distinctly separate place from that for the other securities, and in a condition that enables immediate identification of the ownership share of each depositor S-member thereof from the books of the Fund.
 - 2) Stored by a third party
 - a. Individual safekeeping

In the case that the Fund have a third party store the eligible securities of the S-Fund segregated deposit property, the Fund shall have the third party store the securities in a distinctly separate place from that for the other securities, and in a condition that enables immediate identification of the depositor S-member of each security thereof.
 - b. Commingled safekeeping

In the case that the Fund have a third party store the eligible securities of the S-Fund segregated deposit property, the Fund shall have the third party separate the account for depositing the eligible Securities of the S-Fund segregated deposit property from the proprietary account of the Fund, or else have the third party store the securities in a condition that enables immediate identification of the ownership share of the eligible securities of the S-Fund segregated deposit property, and also enables immediate identification of the ownership share of each depositor S-member thereof from the books of the Fund.
4. The Fund may set a limit for each S-member, on the amount of deposit of eligible foreign currencies it receives from the S-member.
5. The Fund may impose a fee specified by the Fund to an S-member when receiving a deposit of eligible foreign currencies.

Article 14-5 (Bank Guarantee Agreement)

The bank guarantee agreement shall satisfy items stipulated below.

- 1) Guarantor financial institutions shall be one of the followings that satisfies requirements separately specified by the Fund.
 - a. a bank
 - b. the Shoko Chukin Bank Ltd.
 - c. a credit cooperative
 - d. a Shinkin Bank
 - e. the Norinchukin Bank
 - f. an agricultural cooperative and a federation of agricultural cooperatives which can accept deposits or savings in the course of trade
 - g. a trust company (limited to those permitted by the Prime Minister for conducting the business related to debt guaranteeing under Article 21, Paragraph 2 of the Trust Business Law (Act No.154 of 2004).
 - h. Insurance companies.
- 2) The bank guarantee agreement shall not be terminated or altered without prior approval from the Fund.
- 3) The maximum amount that the guarantor institution will pay to the Fund under the bank guarantee agreement (hereinafter referred as “guarantee amount limit”) shall be fixed in advance
- 4) It shall be stipulated that in the event that the S-member holding the bank guarantee agreement is assessed to be incapable of settlement, or be subject to S-segregation settlement in accordance with Article 30-2 of the Rules, the Fund may instruct the guarantor financial institution holding the bank guarantee agreement to pay the amount deemed necessary up to the guarantee amount limit, for settlement of S-liabilities to the S-customers.

Section 2. Segregation Settlement Agreement

Article 15. (Segregation Settlement Agreement)

1. The segregation settlement agreement shall be concluded between the Fund and the member for the purpose of paying the customers from the segregated property (meaning property subject to preservation for which protective measures have been taken; the same shall apply hereinafter) by the Fund, on the member’s behalf, in the case that the member is assessed to be incapable of settlement or be subject to segregation settlement in accordance with Article 30. The segregation settlement agreement shall consist of one or more of the following settlement sub-agreements; designated trust type settlement sub-agreement, Fund segregated deposit type settlement sub-agreement, bank guarantee type settlement sub-agreement and Fund subrogation type settlement sub-agreement (meaning the agreement types prescribed in Article 18, Paragraph 1, Items 2 through 5 respectively; the same applies

in this section).

2. Designated trust type settlement sub-agreement prescribed in the preceding paragraph, shall stipulate that, in the case that the member becomes incapable of paying its liabilities to the customers, the Fund will exercise its beneficiary right as the agent for the beneficiaries of the designated trust property, and pay such liabilities on the member's behalf with the designated trust property it keeps, up to the value of the principal thereof.
3. Fund segregated deposit type settlement sub-agreement prescribed in Paragraph 1 above, shall stipulate that, when the member becomes incapable of paying its liabilities to the customers the Fund will incorporate the Fund segregated deposit property of the member into settlement funds, and pay such liabilities on the member's behalf, up to its value.
4. Bank guarantee type settlement sub-agreement prescribed in Paragraph 1 above, shall stipulate that, when the member becomes incapable of paying its liabilities to the customers the Fund will receive a guarantee payment from the guarantor financial institution, and settle such liabilities to the customers on the member's behalf up to the limit of the guarantee payment.
5. Fund subrogation type settlement sub-agreement prescribed in Paragraph 1 above, shall stipulate the settlement procedures of member's liabilities to the customers under the Fund subrogation settlement agreement.

Article 16. (Application for Segregation Settlement Agreement)

1. A member who intends to conclude a segregation settlement agreement with the Fund shall submit an application including items prescribed below.
 - 1) The type of sub-agreement which the member intends to have the segregation settlement agreement consist of, among the designated trust type settlement sub-agreement, the Fund segregated deposit type settlement sub-agreement, the bank guarantee type settlement sub-agreement and the Fund subrogation type settlement sub-agreement (hereinafter in this Article, Article 18, Article 21 and Article 22, referred to as "intended sub-agreement type".)
 - 2) Items the Fund separately specifies according to the category of the intended sub-agreement type.
2. The application prescribed in the preceding paragraph shall accompany documents the Fund separately specifies according to a category of the intended sub-agreement type.

Article 17. (Procedure for Concluding Agreement)

1. The Fund shall without delay examine an application submitted under the preceding article, Paragraph 1, and may request submission for additional documents necessary to the member who applied.

2. The Fund shall, based on the examination, without delay determine its approval or disapproval of conclusion of the segregation settlement agreement and notify the member thereof.

Article 18. (Contents of Segregation Settlement Agreement)

1. The segregation settlement agreement shall stipulate the intended sub-agreement type and items listed below.
 - 1) Matters common to all intended sub-agreement types.
 - a. business name and address of the member who is concluding a segregation settlement agreement (hereinafter referred to as “segregation settlement agreement member”).
 - b. duration of force of the segregation settlement agreement.
 - c. matters pertaining to expiration, alteration and cancellation of the segregation settlement agreement.
 - d. the effect that, in the case that the segregation settlement agreement member is assessed to be incapable of settlement or be subject to segregation settlement according to Article 30 of the Rules, the Fund may collect the segregated property of the member holding the segregation settlement agreement to pay the member’s liabilities to the customers on the segregation settlement agreement member’s behalf.
 - e. priority order of settlement among different intended agreement types (limited to the cases that more than one intended agreement types are involved)
 - f. other items necessary to execute the segregation settlement agreement
 - 2) Matters pertaining to the designated trust type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
 - a. business name and address of the trust institution and a designated trust account being opened with the institution.
 - b. notification to be given to the Fund in the case that the trust institution becomes insolvent, and measures to be taken to reinstate protection of the preservable assets.
 - c. procedures for the Fund to exercise its beneficiary right in the case the segregation settlement agreement member is assessed to be incapable of settlement or be subject to segregation settlement under Article 30 of the Rules.
 - 3) Matters pertaining to the Fund segregated deposit type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
 - inclusion of the Fund segregated property into settlement funds in the case the segregation settlement agreement member is assessed to be incapable of settlement

or be subject to segregation settlement under Article 30 of the Rules (including the cases stipulated in Article 33, Paragraph 2).

- 4) Matters pertaining to the bank guarantee type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
 - a. business name and address of the guarantor financial institution.
 - b. the maximum amount of guarantee payment.
 - c. notification to be given to the Fund in the case that the guarantor financial institution becomes insolvent, and measures to be taken to reinstate protection of the property subject to preservation.
 - d. procedures for the Fund to receive the guarantee payment in the case that the segregation settlement agreement member is assessed to be incapable of settlement or be subject to segregation settlement under Article 30 of the Rules.
- 5) Matters pertaining to the Fund subrogation type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)

incorporation of the reserve for subrogation settlement into settlement funds, up to the amount of subrogation settlement limit, in the case that the segregation settlement agreement member is assessed to be incapable of settlement or be subject to segregation settlement under Article 30.
2. The priority order of settlement prescribed in the preceding paragraph, Item 1, sub-item e. shall be the order stipulated below.
 - 1) designated trust.
 - 2) the Fund segregated deposit.
 - 3) bank guarantee.
 - 4) the Fund subrogation settlement.
3. In the case that the segregation settlement agreement member withdrew from the Fund in accordance with Article 277, Paragraph 1 of the Act, the member's segregated settlement agreement shall not be canceled until settlement of the member's liabilities to the customers is completed.

Article 19.

The segregation settlement agreement shall stipulate that the segregation settlement agreement member shall, as duty of such member, make arrangement so that the total of the value of the principal of designated trust property, the amount of the Fund segregated property, the guarantee payment limit and the subrogation settlement limit does not fall short of the amount of the property subject to preservation.

Article 20. (Limit of Segregation Settlement)

The limit of amount of segregation settlement under segregation settlement agreement (hereinafter referred to as “segregation settlement limit”) shall be the sum of items below.

- 1) In the case of the designated trust type settlement sub-agreement, the amount of principal of the designated trust property the Fund received by exercising its right as the beneficiary agent.
- 2) In the case of the Fund segregated deposit type settlement sub-agreement, the amount of the segregated deposit property incorporated into the settlement funds according to the agreement.
- 3) In the case of the bank guarantee type settlement sub-agreement, the amount of guarantee payment the Fund received from the guarantor financial institution according to the agreement.
- 4) In the case of the Fund subrogation type settlement sub-agreement, the amount of the money incorporated to the settlement funds from the subrogation reserve prescribed in Article 51, Paragraph 1.

Article 21. (Public Announcement of Conclusion of Segregation Settlement Agreement)

The Fund shall without delay make public announcement on the items listed below in the case that it concluded a segregation settlement agreement.

- 1) business name and address of the segregation settlement agreement member.
- 2) intended agreement type of the segregation settlement agreement.
- 3) duration of force of the segregation settlement agreement.

Article 22. (Alteration to the Segregation Settlement Agreement)

1. The Fund may alter the segregation settlement agreement in the cases stipulated in the items below.
 - 1) In the case that the segregation settlement agreement member intends to change the intended sub-agreement type.
 - 2) In the case that the member holding the designated trust type settlement sub-agreement intends to change the trust institution, or designated trust account, or in the case that the trust institution becomes insolvent.
 - 3) In the case that the member holding the bank guarantee type settlement sub-agreement intends to change the guarantor financial institution or the guarantee limit, or in the case that the guarantor financial institution becomes insolvent.
 - 4) In the cases that the Fund and the segregation settlement agreement member agreed on the matters other than items stipulated above.
2. In the case that the Fund intends to alter items of public announcement concerning the segregation settlement agreement mentioned in the items of the preceding article, it shall

publicize items reflecting such alterations.

3. Alterations to the segregation settlement agreement prescribed in the preceding paragraph shall go into effect on the date of public announcement.

Article 23. (Renewal of Segregation Settlement Agreement)

The segregation settlement agreement shall automatically renew with the same terms unless the Fund or the segregation settlement agreement member notifies its termination by 30 days prior to the expiration date, and both parties agree. The same shall apply in the future.

Section 2-2 S-Segregation Settlement Agreement

Article 23-2 (S-Segregation Settlement Agreement)

1. The S-segregation settlement agreement shall be concluded between the Fund and an S-member for the purpose of paying the S-customers from the S-segregated property (meaning property of S-member subject to preservation for which protective measures have been taken; the same applies hereinafter) by the Fund, on the S-member's behalf, in the case that the S-member becomes an FIB operator subject to notice and is assessed to be incapable of settlement or be subject to segregation settlement in accordance with Article 30-2. The S-segregation settlement agreement shall consist of one or more of the following sub-agreements; designated trust type settlement sub-agreement, S-Fund segregated deposit type settlement sub-agreement, bank guarantee type settlement sub-agreement, and Fund subrogation type settlement sub-agreement.
2. Designated trust type settlement sub-agreement prescribed in the preceding paragraph, shall stipulate that, in the case that the S-member becomes incapable of paying its S-liabilities to the S-customers the Fund will exercise its beneficiary right as the agent for the beneficiaries of the designated trust property, and pay such S-liabilities on the S-member's behalf with the property it receives up to the value of the principal of the designated trust property.
3. S-Fund segregated deposit type settlement sub-agreement prescribed in the preceding Paragraph 1, shall stipulate that, when the S-member becomes incapable of paying its S-liabilities to the S-customers the Fund will incorporate the S-Fund segregated deposit property of the S-member into settlement funds, and pay such S-liabilities on the S-member's behalf, up to its value.
4. Bank guarantee type settlement sub-agreement prescribed in Paragraph 1 above, shall stipulate that, when the S-member becomes incapable of paying its S-liabilities to the S-customers the Fund will receive a guarantee payment from the guarantor financial institution, and pay such S-liabilities on the S-member's behalf up to the limit of the guarantee payment.
5. Fund subrogation type settlement sub-agreement prescribed in Paragraph 1 above, shall stipulate the settlement procedures of S-liabilities under the Fund subrogation settlement

agreement.

Article 23-3 (Application for S-Segregation Settlement Agreement)

1. An S-member who intends to conclude a S-segregation settlement agreement with the Fund shall submit an application including items prescribed below.
 - 1) The type of settlement sub-agreement the S-segregation settlement agreement shall be subject to, among the designated trust type settlement sub-agreement, the S-Fund segregated deposit type settlement sub-agreement, bank guarantee type settlement sub-agreement and the Fund subrogation type settlement sub-agreement (hereinafter in this Article, Article 23-5, article 23-8 and Article 23-9 referred to as “intended sub-agreement type”).
 - 2) Items the Fund separately designates according to a category of the intended sub-agreement type.
2. The application prescribed in the preceding paragraph shall accompany documents the Fund separately designates according to a category of the intended sub-agreement type.

Article 23-4 (Procedure for Concluding Agreement)

1. The Fund shall without delay examine an application submitted under the preceding article, Paragraph 1, and may request submission for additional documents necessary to the S-member who applied.
2. The Fund shall without delay determine its approval or disapproval of the S-segregation settlement agreement based on the examination, and notify the S-member thereof.

Article 23-5 (Contents of S-Segregation Settlement Agreement)

1. The S-segregation settlement agreement shall stipulate the intended sub-agreement type and items listed below.
 - (1) Information common to all intended sub-agreement types.
 - a. business name and address of the S-member who is concluding a S-segregation settlement agreement (hereinafter referred to as “S-segregation settlement agreement member”).
 - b. duration of force of the S-segregation settlement agreement.
 - c. matters pertaining to expiration, alteration and cancellation of the S-segregation settlement agreement.
 - d. the effect that, in the case that the S-segregation settlement agreement member is assessed to be incapable of settlement or be subject to S-segregation settlement according to Article 30-2, the Fund shall collect the S-segregated property of the S-segregation settlement agreement member to pay the member’s liabilities to the S-

- customers on the member's behalf.
 - e. priority order of settlement among different intended sub-agreement types (limited to the cases that more than one intended agreement types are involved.)
 - f. other items necessary to execute the S-segregation settlement agreement.
- (2) Matters pertaining to the designated trust type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
- a. business name and address of the trust institution and a designated trust account being opened with the institution.
 - b. notification to be given to the Fund and measures to be taken to reinstate protection of the preservable property, in the case that the trust institution becomes insolvent.
 - c. procedures for the Fund to exercise its beneficiary right in the case the S-segregation settlement agreement member is determined to be incapable of settlement or be subject to segregation settlement under Article 30 of the Rules.
- (3) Matters pertaining to the S-Fund segregated deposit type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
- inclusion of the Fund segregated property into settlement funds in the case the S-member holding the S-segregation settlement agreement is determined to be incapable of settlement or be subject to S-segregation settlement under Article 30-2 of the Rules (including the cases stipulated in Article 33, Paragraph 2).
- (4) Matters pertaining to the bank guarantee type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
- a. business name and address of the guarantor financial institution.
 - b. the maximum amount of guarantee payment.
 - c. notification to be given to the Fund and measures to be taken to reinstate protection of the preservable assets, in the case that the guarantor financial institution becomes insolvent.
 - d. procedures of the guarantee payment to be made for the Fund in the case that the S-segregation settlement agreement member is determined to be incapable of settlement or be subject to S-segregation settlement under Article 30-2 of the Rules.
- (5) Matters pertaining to the Fund subrogation type settlement sub-agreement (limited to the cases that this sub-agreement is included in the intended sub-agreement type)
- incorporation of the subrogation reserve into settlement funds stipulated in Article 51, Paragraph 1 up to the limit of subrogation in the case that the fund assesses the S-segregation settlement agreement member to be incapable of settlement or be subject to segregation settlement under Article 30-2, up to the amount of subrogation

settlement limit.

2. The priority order of settlement prescribed in the preceding paragraph, Item 1, Subitem e shall be the order stipulated below.
 - (1) designated trust.
 - (2) the Fund segregated deposit.
 - (3) bank guarantee.
 - (4) the Fund subrogation settlement.
3. In the case that the S-segregation settlement agreement member loses the S-member status pursuant to Article 79-2, Paragraph 1 of the FIE Act applied under Article 4, Paragraph 5 of Supplementary Provisions of the FIE Amending Act, the S-segregation settlement agreement member's S-segregated settlement agreement shall not be canceled until the settlement of S-liabilities of the S-segregation settlement agreement member is completed.

Article 23-6

The S-segregation settlement agreement shall stipulate that the S-segregation settlement agreement member shall, as duty of such S-member, make arrangement so that the total of the value of the principal of designated trust property, the amount of the S-Fund segregated property, the guarantee payment limit and the subrogation settlement limit does not fall short of the amount of the property subject to preservation.

Article 23-7 (Limit of S-Segregation Settlement)

The limit of the amount of S-segregation settlement agreement (hereinafter referred to as "S-segregation settlement limit") shall be the sum of items below.

- 1) In the case of the designated trust type settlement sub-agreement, the amount of principal of the designated trust property the Fund received by exercising its right as the beneficiary agent.
- 2) In the case of the S-Fund segregated deposit type settlement sub-agreement, the amount of the S-segregated deposit property incorporated into the settlement funds according to the agreement.
- 3) In the case of the bank guarantee type settlement sub-agreement, the amount of guarantee payment the Fund received from the guarantor financial institution according to the agreement.
- 4) In the case of the Fund subrogation type settlement sub-agreement, the amount of the money incorporated to the settlement funds from the reserve for subrogation settlement prescribed in Article 51, Paragraph 1 of the Rules.

Article 23-8 (Public announcement of Conclusion of S-Segregation Settlement Agreement)

The Fund shall without delay make public announcement on the items listed below in the case that it concluded a S-segregation settlement agreement.

- 1) business name and address of the S-segregation settlement agreement member
- 2) intended sub-agreement type of the S-segregation settlement agreement.
- 3) duration of force of the S-segregation settlement agreement.

Article 23-9 (Alteration to the S-Segregation Settlement Agreement)

1. The Fund may alter the S-segregation settlement agreement in the cases stipulated in the items below.
 - 1) In the case that S-segregation settlement agreement member intends to change the intended sub-agreement type.
 - 2) In the case that the S-member holding the designated trust type settlement sub-agreement intends to change the trust institution or designated trust account, or in the case that the trust institution becomes insolvent.
 - 3) In the case that the S-member holding the bank guarantee type settlement sub-agreement intends to change the guarantee financial institution or the guarantee limit, or in the case that the guarantee financial institution becomes insolvent.
 - 4) In the case that the Fund and the S-segregation settlement agreement member agreed to alter the agreement for other reasons than stipulated above.
2. In the case that the Fund intends to alter items of public announcement concerning the S-segregation settlement agreement mentioned in the items of the preceding article, it shall publicize items reflecting such alterations.
3. Alterations to the S-segregation settlement agreement prescribed in the preceding paragraph shall go into effect on the date of public announcement.

Article 23-10 (Renewal of S-Segregation Settlement Agreement)

The S-segregation settlement agreement shall automatically renew with the same terms unless the Fund or the S-segregation settlement agreement member notifies its termination by 30 days prior to the expiration date and both parties agree. The same shall apply in the future.

Section 3. Reporting and Surveillance

Article 24. (Submission of Reports and Regular Surveillance)

1. Members shall submit to the Fund financial documents, annual report and their relevant schedules that are prescribed in Article 435, Paragraph 2 of the Corporation Law (Law No. 86 of 2005), as well as other information the Fund designates by the due date the Fund specifies.

2. The Fund shall on a regular basis monitor financial and accounting status of members through the documents stipulated in the preceding paragraph and other materials.
3. The Fund may request the competent ministers (in the case of a S-member, including the Commissioner of FSA), if necessary, for handing over or inspecting the documents relating to the members that the ministers or the commissioner holds.

Article 25. (Verification of Trust Property etc.)

1. Members holding a designated trust type settlement sub-agreement (meaning a designated trust type settlement sub-agreement prescribed in Article 18, Paragraph 1, Item 2 and Article 23-5, Paragraph 1, Item 2; hereinafter the same applies in this Article and Article 32) shall submit a balance certificate issued by trust institutions (meaning trust institutions prescribed in Article 11, Paragraph 1, Item 1 and Article 14-2, Paragraph 1, Item 1; hereinafter the same applies in this Article and Article 32) for the designated trust property (meaning designated trust property prescribed in Article 12, Item 1 and Article 14-3, Item 1; hereinafter the same applies in this Article, Article 32 and Article 44) concerning the designated trust type settlement sub-agreement or other relevant documents necessary to verify such designated trust property as the Fund separately designates.
2. The Fund may request a member to submit, if necessary, documents stipulated in the Brokerage Rules.

(translator's note)

Brokerage Rules: Tokyo Commodity Exchange Article of Incorporation § 46

3. The Fund may seek, without consent of the member, a balance certificate or other relevant documents concerning the member's segregation or S-segregation of the customer property or S-customer property, or status of designated trust agreement (meaning designated trust agreement prescribed in Article 11, Paragraph 1, Item 1 and article 14-2, Paragraph 1, Item 1; hereinafter the same applies in this Article and Article 44) or bank guarantee agreement (meaning bank guarantee agreement prescribed in Article 11, Paragraph 1, Item 3 and Article 14-2, Paragraph 1, Item 3; the same applies in this Article and Article 44), from trust companies with whom the member holds a designated trust agreement, or from guarantor financial institutions (meaning guarantor financial institutions stipulated in Article 11, Paragraph 1, Item 3 and Article 14-2, Paragraph 1, Item 3, the same applies in Article 31 and Article 34) with whom the member holds a bank guarantee agreement.

Article 26. (Audit of Financial Statements by CPA or Audit Corporation)

Members shall have financial statements and other documents the Fund designates audited by a Certified Public Accountant or an audit corporation every fiscal year, except provided,

however, that the member received waiver from the Fund.

Chapter 4. Settlement Procedure

Section 1. General Rules

Article 27. (Relation to the Returning Process of Clearing Margin)

1. In the light of situation that management of settlement cases by the Fund shall be closely coordinated with the returning process of clearing margin by the exchanges etc. or the S-exchanges etc., the Fund, the exchanges and the S-exchanges etc. concerned shall have substantial discussions and arrangements, and make an effort to provide convenience to the customers etc. by such means as jointly managing the relevant procedures.
2. For the purpose of the preceding paragraph, the Fund may use common forms with the exchanges etc. and the S-exchanges etc. for documents to be submitted, to the extent not contrary to the spirit of the Operating Rules.

Section 2. Notice of Settlement Case

Article 28. (Notice to the Fund)

1. A member shall promptly notify the Fund in the case that it falls under either of the items stipulated below in accordance with Article 303, Paragraph 1 of the Act.
 - 1) In the event that the member's license for commodity futures brokerage business was cancelled by the competent minister.
(translator's note) Act § 191 ① : license for commodity derivative business
 - 2) In the event that the member's license for commodity futures brokerage business has lost effect due to a failure to renew during its renewal period.
 - 3) In the event that the member filed a petition for bankruptcy, reconstruction, rehabilitation or special liquidation.
 - 4) In the event that the member either discontinued commodity futures brokerage business (including that it discontinued action described in Article 2, Paragraph 22, Item 1 or 2 of the Act at every office or place of domestic location) or dissolved, or made public announcement of the termination of the commodity futures brokerage business or its dissolution.
 - 5) In the event that the member was suspended from operations of commodity futures brokerage business by the competent minister for being in danger of becoming insolvent in light of its business or financial status.
 - 6) In the event that the member caused a default or breach of contract at a commodity exchange.
 - 7) In the event that the member was suspended from transactions by bankers'

clearinghouse.

2. Even when no notice is made to the Fund under the preceding paragraph, if the Fund regards that the member has fallen under either of items in the preceding paragraph, the Fund may recognize the member as an FCM subject to notice in accordance with Article 304 of the Act. In this case, the Fund shall promptly notify the member of the recognition.

Article 28-2 (Notice by S-member to the Fund)

1. An S-member shall promptly notify the Fund in the case that it falls under either of the items stipulated below in accordance with Article 79-53, Paragraph 1 of the FIE Act applied under Article 4, Paragraph 1 of supplementary provisions of the FIE Amending Act.
 - 1) In the event that the S-member's registration for financial instruments business was rescinded by the Commissioner of the Financial Services Agency.
 - 2) In the event that the S-member filed a petition for bankruptcy, reconstruction, rehabilitation or special liquidation.
 - 3) In the event that the S-member discontinued financial instruments business (this includes registration of a change under Article 31, Paragraph 4 of the FIE Act indicating that the S-member stops conducting commodity derivatives transaction-related business, and also includes a foreign corporation's discontinuation of financial instruments business at all of the business offices and offices it has established in Japan, the same applies in this item) or dissolved (in the case that the S-member is a foreign corporation, this includes the commencement of liquidation at a business office or office it has established in Japan), or made a public announcement of discontinuation of financial instruments business or of its dissolution.
 - 4) In the event that the S-member was suspended from operations of whole or part of financial Instruments business by the Prime Minister for being in danger of becoming insolvent in light of its business or financial status.

Article 29. (Audit of Financial Status of an FCM Subject to a Notice etc.)

1. If the Fund received a notice given in accordance with Article 28, Paragraph 1 of the Rules, Article 303, Paragraph 3 of the Act or the preceding article or Article 79-53, Paragraph 3 through 5 applied under Article 4, Paragraph 1 of supplementary provisions of the FIE Amending Act, or recognized the member as an FCM subject to notice under Article 28, Paragraph 2, it shall promptly conduct an on-site audit against the FCM subject to notice or the FIB operator subject to notice concerned, to confirm the status of segregation of customer property or S-segregation of S-customer property and other financial standings, and if necessary, shall take measures to preserve customers' or S-customer property.
2. The FCM subject to notice or the FIB operator subject to notice shall make a plan for

refunding liabilities to the customers or S-liabilities to the S-customers, and submit it to the Fund.

Section 3. Assessment of Repaying Difficulty

Article 30. (Assessment Procedure)

1. The Fund shall, upon receiving a notice given in accordance with Article 28, Paragraph 1 of the Rules or Article 303, Paragraph 3 of the Act, or upon recognizing the member as an FCM subject to notice under the preceding Article 28, Paragraph 2, promptly assess the difficulty of the FCM subject to notice to repay its liabilities to the customers (hereinafter in this Article, referred to as “assessment of repaying difficulty ”), after asking the Steering Council for its opinion.
2. If assessment of repaying difficulty is in urgent need for preservation of general customer claims, the Fund may replace the opinions of Steering Council prescribed in Article 296, Paragraph 2 of the Act with individual hearing of opinions of Steering Council members. In this case, the Fund shall, after the assessment is made, call a Steering Council meeting and report it the details of the assessment.
3. The Fund shall, upon making assessment of repaying difficulty, without delay inform the result to the competent minister as well as to the FCM subject to notice concerned, trust institutions, guarantor financial institutions and the exchanges etc. concerned.
4. The Fund may, if necessary for making assessment of repaying difficulty according to Paragraph 1 above, request to the competent minister for handing over or inspecting documents that the minister holds, relating to the FCM subject to notice.

Article 30-2 (Assessment Procedure on S-member)

1. The Fund shall, upon receiving a notice given in accordance with the Article 28-2 of the Rules or Article 79-53, Paragraph 3 through 5 applied under Article 4, Paragraph 1 of supplementary provisions of Amending Act of the FIE Act, promptly assess the difficulty of the FIB operator subject to notice to repay its liabilities to the S-customers (hereinafter in this Article, referred to as “assessment of repaying difficulty”), after asking the Steering Council for its opinion.
2. If assessment of repaying difficulty is in urgent need for preservation of S-general customers’ claims, the Fund may replace the opinions of Steering Council prescribed in Article 79-45, Paragraph 2 of the FIE Act applied under Article 2, Paragraph 1 of supplementary provisions of the Amending Order for the Enforcement Cabinet Order of FIE Act and the Enforcement Order of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 49, 2014) with individual hearing of the opinions of Steering Council members. In this case, the Fund shall, after the assessment is made, call a Steering Council meeting and report the

details of the assessment.

3. The Fund shall, upon making assessment of repaying difficulty, without delay inform the result to the Commissioner of the Financial Services Agency and the Minister of Finance as well as the FIB operator subject to notice concerned, the trust institutions, the guarantor financial institutions, the S-exchanges etc. concerned.
4. The Fund may, if necessary for making assessment of repaying difficulty according to Paragraph 1 above, request to the Commissioner of the Financial Services Agency for handing over or inspecting documents that the Commissioner holds, relating to the FIB operator subject to notice.

Article 31. (Types of Assessment)

1. Assessment of repaying difficulty (meaning assessment of repaying difficulty stipulated in Article 30, Paragraph 1 and Article 30-2, Paragraph 1) shall be conducted according to the categories prescribed in the items below.

- 1) Voluntary Settlement

In the case that the FCM subject to notice or the FIB operator subject to notice concerned is voluntarily closing its business in condition of solvency, having no competing creditors, and that it is apparently capable of repaying all the estimated amount of claims subject to calculation prescribed in Article 36, Paragraph 1 or Article 36-2, Paragraph 1, by using the amount of segregated property of the FCM subject to notice or S-segregated property of the FIB operator subject to notice which will certainly be appropriated for repaying to the customers or the S-customers (hereinafter referred to as “effective segregated amount” or “effective S-segregated amount”), and also using the member’s own properties, but without using the amount of guarantee payment by guarantor financial institutions or the Fund subrogation payment stipulated in Article 35, Paragraph 1.

- 2) Segregation Settlement or S-Segregation Settlement

In the case that the member or the S-member concerned apparently have no general customers or no S-general customers, or the effectively segregated amount or the effective S-segregated amount apparently can cover settlement of all estimated amount of property subject to calculation stipulated in Article 36, Paragraph 1 or Article 36-2, Paragraph 1 (except for such case as stipulated in the preceding item).

- 3) Incapable of Settlement

In the case that falls under neither of preceding two items.

2. The Fund may change, if necessary, the categories of repaying difficulty it assessed according to the items in the preceding Paragraph, after asking opinions of the Steering Council.

Section 4. Collection of Segregated Property, etc.

Article 32. (Exercising Beneficiary Right on Designated Trust Assets)

1. In the event that the Fund assessed the member holding a designated trust type settlement sub-agreement to be incapable of settlement or to be subject to segregation settlement or S-segregation settlement in accordance with Article 30 or Article 30-2, it shall exercise its beneficiary right against the trust institutions and receive designated trust property.
2. Designated trust property received in accordance with the preceding paragraph shall be incorporated into the settlement funds.

Article 33. (Incorporation of the Fund Segregated Deposit etc. into Settlement Funds)

1. In the event that the Fund assessed a member holding a Fund segregated deposit type settlement sub-agreement (meaning Fund segregated deposit type settlement sub-agreement prescribed in Article 18, Paragraph 1, Item 3) or an S-Fund segregated deposit type settlement sub-agreement (meaning S-Fund segregated deposit type settlement sub-agreement prescribed in Article 23-5, Paragraph 1, Item 3) to be incapable of settlement or to be subject to segregation settlement or S-segregation settlement in accordance with the Article 30 or Article 30-2, the Fund shall incorporate the Fund segregated deposit assets or the S-Fund segregated deposit assets into the settlement funds.
2. In addition to the case stipulated in the preceding paragraph, the Fund may incorporate the Fund segregated deposit property into settlement funds to preserve customers' or S-customer property, in the event that the member holding the segregated deposit agreement or the S-segregated deposit agreement received such actions as seizure, provisional seizure, temporary injunction or seizure protection, if it is deemed to be caused by deterioration of the member's business condition.

Article 34. (Payment Demand of Bank Guarantee)

1. In the event that the Fund assessed the member holding a bank guarantee type settlement sub-agreement (meaning bank guarantee type settlement sub-agreement prescribed in Article 18, Paragraph 1, Item4 and Article 23-5, Paragraph 1, Item4) to be incapable of settlement or to be subject to segregation settlement or S-segregation settlement in accordance with the Article 30 or Article 30-2, the Fund shall demand guarantee payment up to the guarantee payment limit (meaning the guarantee payment limit stipulated in Article 14, Paragraph 1, Item 3 and Article 14-5, Paragraph 3) to the guarantor financial institutions for a recourse debt that the member owes to the Fund for settlement of the member's liabilities to the customers or S-customers the Fund performs on the member's behalf.

2. The amount of guarantee payment received in accordance with the preceding paragraph shall be incorporated into the settlement funds.

Article 35. (Incorporation of the Subrogation Reserve into Settlement Funds)

1. In the event that the Fund assessed the member holding a Fund subrogation settlement type settlement agreement (meaning Fund subrogation type settlement sub-agreement prescribed in Article 18, Paragraph 1, Item5 and Article 23-5, Paragraph 1, Item5) to be incapable of settlement or to be subject to segregation settlement or S-segregation settlement in accordance with the Article 30 or article 30-2 (except the cases that the member or the S-member apparently can repay all the amount of property subject to calculation stipulated in Paragraph 1 of the following article or Article 36-2, Paragraph 1 without using the payment under the Fund subrogation settlement agreement (meaning Fund subrogation settlement agreement stipulated in Article 11, Paragraph 1, Item 4 and Article 14-2, Paragraph 1, Item 4, the same applies in Article 44, Article 50, Article 52, Article 53 and Article 54, the same shall apply hereinafter), (hereinafter referred to as “ Fund subrogation payment”), the Fund shall determine to carry out the Fund subrogation payment and decide its amount (limited to the subrogation settlement limit).
2. In making a decision under the preceding paragraph, the completion of fixed amount of the member’s liabilities to the customers or to the S-customers shall not be required.
3. In the event that the Fund decides to make the Fund subrogation payment according to Paragraph 1 above, it shall draw the decided amount from the subrogation reserve stipulated in Article 51, Paragraph 1 and incorporate it into the settlement funds.

Section 5. Public Announcement of Settlement and Examination

Article 36. (Public Announcement of Settlement)

1. In the event that the Fund assessed the member FCM subject to notice to be incapable of settlement or be subject to segregation settlement in accordance with the Article 30, the Fund shall, in order to accept notification from the customers for amount of claims subject to calculation (meaning amount of claims subject to calculation prescribed in the following paragraph; the same applies hereinafter) the customers hold against the FCM subject to notice concerned, specify the notification period, location, forms to be used and documents to be attached, as well as the payment period, payment location and payment method, by consulting the opinions of Steering Council, and make public announcement on above items and items stipulated in items below.
 - 1) Business name and address of the FCM subject to notice, name of the representative, names and addresses of its primary offices, branch and other offices commodity trading

brokerage business is conducted at.

- 2) Commencement of settlement procedure for segregation settlement for the claims subject to calculation concerning the said member, and the amount of segregation settlement limit (the estimated amount in the case that liquidation of segregated property has not been completed.)
 - 3) Commencement of payment procedure of unpaid balance of claims subject to calculation up to JPY 10 million per general customer of the said member, in the case that the amount of claims subject to calculation is not fully paid by the segregation settlement.
 - 4) A person who holds claims subject to calculation against the member concerned shall file such claims within the filing period according to the terms of the public announcement.
 - 5) In the case that the customer fails to file notification for claims according to the terms of the public announcement, the customer shall be excluded from the settlement procedure.
 - 6) In the event that Fund makes general customer payment according to the public announcement, customer's claims subject to compensation under the settlement payment shall disappear upon receipt of such payment.
 - 7) In the event that Fund makes subrogation settlement payment according to the public announcement, customer's claim corresponding to the subrogation payment shall transfer to the Fund upon receipt of such payment.
2. The amount of claims subject to calculation shall be calculated as follows: an amount of claims the general customer holds against the FCM subject to notice concerning the trades executed on the exchanges etc. (but excluding claims incurred from troubles in relation to brokerage of trades on the commodity exchanges that are stipulated in Article 221, Paragraph 2 of the Act, which are also prescribed in Article 112 of the Ordinance) minus the amount of debts the general customer owes to the FCM subject to a notice, calculated as of the day of public announcement, excluding an amount of clearing margin the customer has a right to demand restitution against the exchanges etc.

(translator's note)

The original Paragraph 1 stipulates announcement procedure, but also contains definition of the "claims subject to calculation", which may make translation too complicated. Then the definition part was separated from Paragraph 1 to form a new paragraph (Paragraph 2), moving down the original Paragraph 2 through 5 to new Paragraph 3 to 6.

3. A person who was assigned customer's claims or obtained such claims as a collateral shall

not file notification under Paragraph 1 above on the customer's claims.

4. In the event that a member or non-member FCM has commissioned trades in the commodity exchanges (limited to items listed in Article 2, Paragraph 21, Item 1 or Item 3 of the Act) on its customers' account to the FCM subject to notice, notification of a claim stipulated in the preceding paragraph shall be made by such member or non-member FCM.
5. In the event of the preceding paragraph, the member or non-member FCM who filed a claim in accordance with Paragraph 1 above shall pay the amount it receives from the Fund under Article 41 of the Operating Rules to the customers concerned according to the settlement plan created by the Fund in accordance with Article 40, Paragraph 1 of the Operating Rules.
6. The claims subject to calculation prescribed in Paragraph 1 above shall be calculated in Japanese Yen. A conversion of customers' assets held in foreign currencies to Japanese Yen shall be made by foreign exchange rates the Fund specifies.

Article 36-2 (Public Announcement of settlement on S-member)

1. In the event that the Fund assessed the FIB operator subject to notice to be incapable of settlement or be subject to S-segregation settlement in accordance with the Article 30-2, the Fund shall, in order to accept notification from S-customers for amount of S-claims subject to calculation (meaning amount of S-claims subject to calculation prescribed in the following paragraph; the same applies hereinafter) the S-customers hold against the FIB operator subject to notice concerned, specify the notification period, location, forms to be used and documents to be attached, as well as payment period, payment location and payment method, by consulting the opinions of Steering Council, and make public announcement on above items as well as the following items.
 - 1) Business name and address of the FIB operator subject to notice, name of the representative, name and addresses of its primary offices, branch and other offices S-commodity trade related business is conducted at.
 - 2) Commencement of settlement procedure for S-segregation settlement for S-claims subject to calculation concerning the FIB operator subject to notice concerned, and the amount of S-segregation settlement limit (the estimated amount in the case that liquidation of S-segregated property has not been completed.)
 - 3) Commencement of payment procedure of unpaid balance of S-claims subject to calculation up to JPY 10 million per S-general customer of the FIB operator subject to notice concerned, in the case that the amount of S-claims subject to calculation is not fully paid by the S-segregation settlement.
 - 4) Any person who holds S-claims subject to calculation against the FIB operator subject to notice concerned shall file such claim within a filing period according to the terms of the public announcement.

- 5) In the case that the S-customer fails to file a claim according to the terms of the public announcement, the S-customer shall be excluded from the settlement procedure.
 - 6) In the event that the Fund makes S-general customer payment according to the public announcement, S-customer's claims subject to compensation under the S-settlement payment shall disappear upon receipt of such payment.
 - 7) In the event that the Fund makes subrogation settlement payment according to the public announcement, S-customer's claims corresponding to the subrogation payment shall transfer to the Fund upon receipt of such payment.
2. The amount of S-claims subject to calculation shall be calculated as follows; an amount of claims the S-general customer holds against the FIB operator subject to notice concerning the trades executed on the S-exchanges etc. (but excluding claims incurred from troubles in relation to brokerage of trades on the S-exchanges etc. that are stipulated in Article 118 of the Cabinet Office Ordinance) minus the amount of debts the S-general customer owes to the FIB operator subject to notice, calculated as of the day of the public announcement, excluding an amount of clearing margin the S-customer has a right to demand restitution against S-exchanges etc.

(translator's note)

The original Paragraph 1 stipulates announcement procedure, but also contains definition of the "S-claims subject to calculation", which may make translation too complicated. Then the definition part was separated from Paragraph 1 to form a new paragraph (Paragraph 2), moving down the original Paragraph 2 through 5 to new Paragraph 3 to 6.

3. A person who was assigned S-customer's claims or obtained such claims as a collateral shall not file notification under Paragraph 1 above on the S-customer's claims.
4. In the event that a S-member or a non-S-member FIB operator commissioned trades in the S-exchanges on the account of its S-customers to the FIB operator subject to notice, notification of a claim stipulated in the Paragraph 1 above shall be made by such S-member or non-S-member FIB operator who commissioned the trade.
5. In the event of the preceding paragraph, the S-member or non-S-member FIB operator who filed a claim in accordance with Paragraph 1 above shall pay the amount it receives from the Fund under Article 41 of the Operating Rules to the S-customers concerned according to a settlement plan created by the Fund in accordance with Article 40-2, Paragraph 1 of the Operating Rules.
6. The S-claims subject to calculation stipulated in Paragraph 1 above shall be calculated in Japanese Yen. A conversion of S-customer assets held in foreign currencies to Japanese Yen shall be made by foreign exchange rates the Fund designates.

Article 37. (Examination of Claims)

1. The Fund shall examine the filed claims as soon as possible after the end of the filing period specified in the public announcement made under Article 36, Paragraph 1 or the preceding article, Paragraph 1.
2. The Fund shall, in conducting examination under the preceding paragraph, check the substance of the claims against the books and other evidence stipulated in Article 222 of the Act, and confirm it.
3. The Fund shall, in conducting examination prescribed in Paragraph 1 above, allow claimants and the FCM subject to notice a chance to submit evidence and to express opinions concerning the filed claims.

Article 38. (Prohibition of Assignment of Claims)

A claimant shall not assign or pledge as a collateral its customer's claims or S-customer's claims for which notification is filed.

Article 39. (Intentional or Serious Negligence by Claimant)

In the event that customer's claims or S-customer's claims are found to have arisen, increased or escaped from reduction or disappearance due to the claimant's intentional or serious negligence, the Fund may subtract such amount of claims arisen, increased or escaped from reduction, from the segregation settlement amount, claims subject to calculation and general customer payment stipulated in the following article, Paragraph 1, or from S-segregated settlement amount, S-claims subject to calculation and S-general customer payment stipulated in Article 40-2, Paragraph 1.

Section 6. Settlement Payment

Article 40. (Creating a Settlement Plan)

1. In accordance with the result of examination (limited to the examination on the application responding to the announcement under Article 36, Paragraph 1) stipulated in Article 37, Paragraph 1, the Fund shall calculate for each applicant, in the case of a general customer, an amount of segregation settlement, an amount of claims subject to compensation and an amount of general customer payment (limited to the case of incapable of settlement), and whereas in the case of a person other than general customer, an amount of segregation settlement, by referring to the opinions of Steering Council, and create a settlement plan.
2. In the event that more than one set of customers' claims are found belonging to one person, they shall be regarded as one claim of the single person when the preceding paragraph applies.
3. The amount of segregation settlement stipulated in Paragraph 1 above shall be the segregation settlement limit proportionally allocated according to the amount of each

customer's claims subject to calculation. However, in the case that the segregation settlement limit exceeds total of the claims subject to calculation, this amount shall be equal to the amount of claims subject to calculation of each customer.

4. The amount of claims subject to compensation shall be the unpaid balance calculated as follows; the claims subject to calculation of each general customer calculated as of the date of the public announcement made in accordance with Article 36, Paragraph 1, minus the amount of segregation settlement. The amount of general customer payment shall be determined according to the amount of the claims subject to compensation, up to JPY 10 million per customer.

Article 40-2 (Creating a Settlement Plan for S-members)

1. In accordance with the result of examination (limited to the examination on the application responding to the announcement under Article 36-2, Paragraph 1) stipulated in Article 37, Paragraph 1, the Fund shall calculate for each applicant, by referring to the opinions of Steering Council, in the case of S-general customer, an amount of S-segregation settlement, an amount of S-claims subject to calculation and an amount of S-general customer payment (limited to the case of incapable of settlement), and whereas in the case of a person other than S-general customer, an amount of S-segregation settlement, and shall create a settlement plan.
2. In the event that more than one set of S- customers' claims are found belonging to one person, they shall be regarded as one claim of the single person when the provision of preceding paragraph is applied.
3. The amount of S-segregation settlement for each S-customer stipulated in Paragraph 1 above shall be the S-segregation settlement limit proportionally allocated according to each S-claims subject to calculation. However, in the case that the S-segregation settlement limit exceeds total of S-claims subject to calculation, this amount shall be equal to the amount of S-claims subject to calculation of each S-customer.
4. The amount of S-claims subject to compensation shall be the unpaid balance calculated as follows; the amount of S-claims subject to calculation of each S-general customer calculated as of the date of public announcement made in accordance with Article 36-2, Paragraph 1 of the Operating Rules, minus the amount of S-segregation settlement to the S-general customer. The amount of S-general customer payment shall be determined according to the amount of the S-claims subject to compensation, up to the limit of JPY10 million per S-customer.

Article 41. (Settlement Payment)

1. The Fund shall, in accordance with the settlement plan created under Article 40 or the

preceding article, draw an amount equivalent to total general customer payments or total S-general customer payments from the fund for customer protection, and by adding to it the segregated property or the S-segregated property collected, set up settlement funds. Then the Fund shall make settlement payments to claimants, using the settlement funds.

2. In the case prescribed in Article 36, Paragraph 3 or Article 36-2, Paragraph 3, the member who received a settlement on behalf of customers or S-customers in accordance with the preceding paragraph shall make a Fund segregated deposit or a S-Fund segregated deposit or take other appropriate measures to preserve the amount on the customers' accounts or on the S-customers' accounts until such settlement is paid to the customers or S-customers.
3. In the case of the preceding paragraph, the Fund may, if necessary for preservation of customer's or S-customer's claims, directly settle the claims to the customers or S-customers, on entrustment by the member concerned.

Article 42. (Refunding the Excess of Settlement Funds)

The Fund shall, in the case of the proviso to Paragraph 3 of Article 40, or the proviso to Paragraph 3 of Article 40-2, after settlement under the preceding article is completed, refund the unused amount of settlement funds according to the reverse order of settlement priority stipulated in Article 18, Paragraph 2.

Article 43. (Processing Recourse Claims)

1. In the event that the Fund made the general customer payment, it shall obtain claims subject to compensation up to the amount corresponding with such settlement payment according to Article 307, Paragraph 4 of the Act or Article 79-57, Paragraph 4 applied under Article 4, Paragraph 1 of supplementary provisions of FIE Amending Act.
2. The Fund shall, if deemed possible, without delay seek reimbursement on the claims subject to compensation it obtained in accordance with the preceding paragraph. For the claims subject to compensation on which such reimbursement is deemed difficult, the Fund shall write it off as a loss.
3. The Fund shall, in order to collateralize the reimbursement for the claims subject to compensation under the preceding paragraph, conclude an agreement with the member concerned for creating the right of pledge on the member's rights to claim refund or issuance of equity interest, withdrawal adjustment money, guarantee fund, clearing deposit, trading margin, profit/loss amount from mark to market (meaning balance of contract, closing balance and exercise contract balance; only from proprietary accounts, the same shall apply hereinafter) and receivable amount for options (only from proprietary accounts), against the exchanges etc. In the event the member receives from the Fund a request for concluding such an agreement, the member shall accept it.

4. A member who concluded the agreement with the Fund according to the preceding paragraph, shall give a notice of establishment of the pledge together with the Fund according to Article 364 of the Civil Code (Law No. 89 of 1896) to the commodity exchange etc. stipulated in the preceding paragraph, by a document bearing a certified date in a manner the Fund specifies, except where the commodity exchange etc. admitted by a document bearing a certified date to have no objections to the establishment of the pledge under the agreement.

Chapter 5. Proceeding of Voluntary Settlement

Section 1. Authorization of Voluntary Settlement Plan

Article 44. (Authorization of Voluntary Settlement Plan)

1. In the event that a member FCM subject to notice or an FIB operator subject to notice received assessment for voluntary settlement according to Article 30 or Article 30-2, the FCM subject to notice or the FIB operator subject to notice shall without delay make a voluntary settlement plan in the form specified by the Fund and submit it to the Fund.
2. In the event that the Fund received the voluntary settlement plan made in accordance with the preceding paragraph, it shall determine whether the voluntary settlement plan is appropriate or not, upon consulting the opinions of Steering Council. In the event that the Fund finds the voluntary settlement plan to be inappropriate, it may direct the FCM subject to notice or the FIB operator subject to notice to alter the plan, or may change the type of assessment of repaying difficulty listed in the items in Article 31, Paragraph 1 by referring to the opinions of Steering Council.
3. In the event that the Fund determined the voluntary settlement plan to be appropriate under the preceding paragraph, it may, within the scope of necessity to execute the voluntary settlement plan, approve cancellation of designated trust agreement in order to draw out designated trust property, cancellation of bank guarantee agreement in order to release collateral, cancellation of the Fund subrogation settlement agreement in order to release collateral in order to carry out settlement in subrogation, and may pay out the Fund segregated deposit property or the S-Fund segregated deposit property.
4. In the event that the FCM subject to notice or the FIB operator subject to notice received approval on the voluntary settlement plan as appropriate in accordance with Paragraph 2 above, it shall make settlement of its liabilities to the customers, or its S-liabilities to the S-customers, in accordance with the voluntary settlement plan.

Article 45. (Reporting of Voluntary Settlement)

1. In the event that the FCM subject to notice concerned or the FIB operator subject to notice concerned carried out settlement to its liabilities to the customers or its S-liabilities to the

S-customers in accordance with the voluntary settlement plan stipulated in the preceding article, it shall notify the Fund of the completion of such settlements.

2. In the event that the Fund finds the execution of the voluntary settlement plan authorized under the preceding article has been improperly carried out, it may change the type of assessment of repaying difficulty listed in the items in Article 31, Paragraph 1, after consulting the opinions of Steering Council.

Section 2. Financing of Funds for Refunds

Article 46. (Application for Financing of Funds for Refunds)

1. In the event that the member concerned received determination on the voluntary settlement plan as appropriate under Article 44, Paragraph 2, and if necessary for expeditious settlement to general customers, it shall apply to the competent minister for a certification of eligibility under Article 308, Paragraph 2 of the Act, and upon receiving such certification, may apply to the Fund for financing of funds for refunds according to Paragraph 1 of the same article.
2. In the event that the member concerned intends to apply for financing of funds for refunds under the preceding paragraph, it shall submit to the Fund an application form specified by the Fund on financing of funds for refunds.

Article 47. (Determination of Financing of Funds for Refunds)

1. The Fund shall, upon receipt of the application stipulated in Paragraph 1 of the preceding article, determine approval or disapproval of financing of funds for refunds to the FCM subject to notice concerned, by consulting the opinions of Steering Council.
2. When the Fund determines financing of funds for refunds, the FCM subject to notice concerned is required to satisfy every item stipulated in Article 308, Paragraph 2 of the Act as well as every condition listed below.
 - 1) An expeditious settlement to general customers made by the FCM subject to notice concerned is regarded desirable from the viewpoint of ensuring credibility of commodity futures trading.
 - 2) There shall be no concern over such action like seizure etc. taken on the funds for refunds that may prevent expeditious settlements of the member's liabilities to the general customers.
 - 3) The repayment of the funds for refunds shall be guaranteed by such instruments as setting a pledge against assets of the FCM subject to notice concerned.
3. When the Fund determines financing of funds for refunds, the Fund shall specify the amount of finance, repayment deadline, collateral, interest rate and other terms concerning the

financing.

Article 48. (Reporting to the Competent Minister)

The Fund shall, upon making a determination on approval or disapproval of financing of funds for refunds, promptly report to the competent ministers the detail thereof including the financing conditions..

Article 49. (Accounting for Financing of Funds for Refunds)

Accounting for financing, repayment and other matters concerning the funds for refunds based on the determination under Article 47, Paragraph 1 shall be conducted in the account of the fund for customer protection etc.

Section 3 Financing of S-Funds for Refunds

Article 49-2 (Application for Financing of S-Funds for Refunds)

1. In the event that the FIB operator subject to notice concerned received determination on the voluntary settlement plan as appropriate under Article 44, Paragraph 2, and if necessary for expeditious settlement to S-general customers, it shall apply to the Commissioner of the Financial Services Agency for a recognition of eligibility under Article 79-59, Paragraph 2 of the FIE Act applied under Article 4, Paragraph 1 of the FIE Amending Act, and upon receiving such recognition, may apply to the Fund for financing of S-funds for refunds according to Paragraph 1 of the same article.
2. In the event that the FIB operator subject to notice concerned intends to apply for financing of funds for refunds under the preceding paragraph, it shall submit to the Fund a written application form specified by the Fund on financing of S-funds for refunds.

Article 49-3 (Determination of Financing of S-Funds for Refunds)

1. The Fund shall, upon receipt of the application stipulated in Paragraph 1 of the preceding article, determine approval or disapproval of financing of S-funds for refunds by consulting the opinions of Steering Council.
2. When the Fund determines financing of S-funds for refunds, the FIB operator subject to notice concerned is required to satisfy every item stipulated in Article 79-59, Paragraph 2 of the FIE Act applied under Article 4, Paragraph 1 of supplementary provisions of the FIE Amending Act, as well as every condition listed below.
 - 1) An expeditious settlement to S-general customers by the FIB operator subject to notice concerned is regarded desirable from the viewpoint of ensuring credibility of S-commodity trades.
 - 2) There shall be no concern over such action like seizure etc. taken on the S-funds for

refunds that may prevent expeditious settlement to the S-general customers.

- 3) The repayment of the S-funds for refunds shall be guaranteed by such instruments as setting a pledge against assets of the FIB operator subject to notice concerned.
3. When the Fund determines financing of funds for refunds, the Fund shall specify the amount of finance, repayment deadline collateral, interest rate and other terms concerning the financing.

Article 49-4 (Report to the Commissioner of Financial Services Agency and the Minister of Finance)

The Fund shall, upon making a determination on approval or disapproval of financing of funds for refunds under the preceding Article, Paragraph 1, it shall immediately report to the Commissioner of Financial Services Agency and the Minister of Finance the detail thereof including the financing conditions.

Article 49-5 (Accounting of Financing of S-Funds for Refunds)

Accounting for financing, repayment and other matters concerning the S-funds for refunds based on the determination under Article 49-3, Paragraph 1 shall be conducted in the account of the fund for customer protection etc.

Chapter 6. Fund Subrogation Settlement

Section 1. Fund Subrogation Settlement Operations

Article 50. (Fund Subrogation Settlement Operations)

1. The Fund may, as part of subrogation settlement operations under Article 300, Item 4 of the Act, or Article 4, Paragraph 1, Item 4 of supplementary provisions of the FIE Amending Act, conclude subrogation settlement agreements with members prescribed in the items below, and conduct Fund subrogation settlement operations for the purpose of segregation of customer property or S-segregation of S-customer property.
 - 1) The members who were holding settlement agreements with the Association at the time of establishment of the Fund, under Article 97-2, Paragraph 3 of the Act prior to the amendment by the Amending Act of 2004, and became Fund members on the occasion of the Fund's establishment.
 - 2) The members, other than those stipulated in the preceding item who owe equivalent obligations as the members listed in the preceding item.
2. "Equivalent obligations as members listed in the preceding item" in the preceding paragraph, Item 2 shall mean paying a contribution for subrogation to the Fund, amount of which is determined by the table below in accordance with the amount of net assets of such members

as of the nearest time of concluding a Fund subrogation settlement agreement for the first time.

| Net Assets Categories | Contribution for Subrogation |
|---|------------------------------|
| More than JPY 5 billion | JPY 20 million |
| More than JPY 2 billion but less than JPY 5 billion | JPY 10 million |
| Less than JPY 2 billion | JPY 5 million |

3. Net assets stipulated in the previous paragraph shall mean the net assets prescribed in Article 192, Paragraph 3 of the Act.
4. The operations prescribed in Paragraph 1 above shall be conducted according to rules the Fund separately specifies in addition to those stipulated in the Rules.

Article 51. (Subrogation Reserve)

1. The Fund shall establish the subrogation reserve as resources to cover expenses for carrying out subrogation settlement.
2. The subrogation reserve shall be funded by a portion of the money inherited from the Association and designated by the Fund which has been approved under Article 19, Paragraph 3 or 4 of supplementary provisions of the Amendment Act of 2004, and by the contributions for subrogation stipulated in the preceding article, Paragraph 2.

Section 2. Fund Subrogation Settlement Agreement

Article 52. (Application for the Fund Subrogation Settlement Agreement)

A member who intends to conclude a Fund subrogation settlement agreement with the Fund under Article 11, Paragraph 1, Item 4 or Article 14-2, Paragraph 1, Item 4, shall submit to the Fund an application using the form specified by the Fund.

Article 53. (Procedures for Concluding Agreement)

1. When an application was submitted under the preceding article, the Fund shall without delay examine the content of it. In this case, the Fund may request the applicant to submit necessary documents.
2. Upon examination under the preceding paragraph, the Fund shall without delay determine approval or disapproval of conclusion of the subrogation settlement agreement, and notify the member thereof.

Article 54. (Disapproval of Conclusion or Renewal of Fund Subrogation Settlement

Agreement)

1. In the event that a member has violated the Act, the Articles of Incorporation, the Operating Rules or other regulations of the Fund, or is deemed inappropriate in its financial status etc., the Fund shall not conclude a subrogation settlement agreement with the member.
2. The Fund may cancel a subrogation settlement agreement in the case that the member is found to have concluded the agreement by submission of false documents or by other unjust methods.

Article 55. (Contents of the Fund Subrogation Settlement Agreement)

1. The Fund subrogation settlement agreement shall include items stipulated below.
 - 1) In the event that a member holding a subrogation settlement agreement with the Fund (hereinafter referred to as “the subrogation member”) is assessed to be incapable of settlement or be subject to segregation settlement in accordance with Article 30 of the Rules, the Fund shall make subrogation settlement for the member’s liabilities to the customers concerned on the subrogation member’s behalf up to the limit of subrogation previously determined.
 - 2) In the case of the preceding item, if the required total amount of subrogation settlement on the subrogation member concerned exceeds the balance of the subrogation reserve, the amount of subrogation settlement shall be limited to the balance of the subrogation reserve.
 - 3) In the event that the Fund carried out subrogation settlement according to Item 1 above, it may make a reimbursement claim against the subrogation member for the amount it paid in subrogation.
 - 4) Notwithstanding the preceding item, in the case that the subrogation member is assessed to be incapable of settlement or be subject to a segregation settlement in accordance with Article 30, the Fund may exercise its right to seek reimbursement in advance within the scope of the subrogation limit against the subrogation member concerned.
 - 5) Termination or alteration of the Fund subrogation settlement agreement shall not be made without prior approval of the Fund.
 - 6) The Fund may cancel the Fund subrogation settlement agreement, in the event that the segregation settlement agreement, on which the said agreement is based, was canceled.
2. The Fund subrogation settlement agreement shall include items stipulated below in addition to the items prescribed in the preceding paragraph.
 - 1) general matters
 - a. trade name and address of the subrogation member

- b. duration of effect of the Fund subrogation settlement agreement
 - c. matters concerning expiration, alteration and termination of the Fund subrogation settlement agreement.
 - d. other items necessary for execution of the Fund subrogation settlement agreement.
- 2) obligation of subrogation member
 - a. matters concerning payment of commission
 - b. matters concerning setting up subrogation collateral
- 3) the Fund subrogation settlement
 - matters concerning the implementation of the Fund subrogation settlement and determination of the amount of subrogation payment.

Article 55-2 (Contents of the Fund Subrogation Settlement Agreement for S-members)

1. The Fund subrogation settlement agreement for S-members shall include items stipulated below.
 - 1) In the event that a S-member holding a Fund subrogation settlement agreement with the Fund (hereinafter referred to as “S-subrogation member”) is assessed to be incapable of settlement or be subject to S-segregation settlement in accordance with Article30-2 of the Operating Rules, the Fund shall make subrogation settlement for the S-member’s liabilities to the S-customers concerned on the S-subrogation member’s behalf up to the limit of subrogation previously designated.
 - 2) In the case of the preceding item, if the required total amount of subrogation settlement on the S-subrogation member concerned exceeds the balance of the subrogation reserve, the amount of subrogation settlement shall be limited to the balance of the subrogation reserve.
 - 3) In the event that the Fund carried out subrogation settlement according to Item 1 above, it may make a reimbursement claim against the S-subrogation member for the amount it paid in subrogation.
 - 4) Notwithstanding the preceding item, in the case that the S-subrogation member is assessed to be incapable of settlement or be subject to a S-segregation settlement in accordance with Article30-2, the Fund may exercise its right to seek reimbursement in advance within the scope of the subrogation limit against the S-subrogation member concerned.
 - 5) Termination or alteration of the Fund subrogation settlement agreement shall not be made without prior approval of the Fund.
 - 6) The Fund may cancel the Fund subrogation settlement agreement in the event that the S-segregation settlement agreement, on which the said agreement is based, was canceled.
2. The Fund subrogation settlement agreement shall include items stipulated below in addition

to the items prescribed in the preceding paragraph.

- 1) general matters
 - a. trade name and address of the S-subrogation member
 - b. duration of effect of the Fund subrogation settlement agreement
 - c. matters concerning expiration, alteration and termination of the Fund subrogation settlement agreement
 - d. other items necessary for execution of the Fund subrogation settlement agreement
- 2) obligation of the S-subrogation member
 - a. matters concerning payment of commission
 - b. matters concerning setting up subrogation collateral
- 3) the Fund subrogation settlement
 - a. matters concerning the implementation of subrogation settlement and determination of the amount of subrogation payment

Article 56. (Subrogation Limit)

The upper limit of the amount of subrogation settlement for each subrogation member (including S-subrogation member, the same applies hereinafter) shall be separately specified by the Fund within 50% of the balance of the subrogation reserve as of the last day of the preceding business year, and the total of all subrogation members' upper limit shall not exceed ten times of the balance of the subrogation reserve as of the end of the preceding business year.

Article 57. (Collateral for Subrogation Settlement)

1. The Fund shall establish subrogation collateral according to the amount of subrogation limit against the subrogation member. The member concerned shall obey to it.
2. The subrogation collateral stipulated in the preceding paragraph shall be established by depositing cash or securities (limited to items the Fund separately designates) with the Fund, amount of which is determined by a ratio the Fund separately designates against the subrogation limit.
3. Property deposited as collateral for the subrogation with the Fund in accordance with the preceding paragraph shall not be included in the preservation measures of customers' assets stipulated in Article 11, Paragraph 1 or in the preservation measures of S-customers' assets stipulated in Article 14-2, Paragraph 1.
4. The Fund shall manage the property deposited under Paragraph 2 above in accordance with the rules the Fund separately designates. However, withdrawal thereof shall not be made during the duration of the Fund subrogation settlement agreement, except for

withdrawal of interest or other legal fruits or equivalent amount accrued from the subrogation collateral stipulated in the following paragraph.

5. The Fund shall allocate or return interest or other legal fruits or equivalent amount accrued from the subrogation collateral to the members who deposited the collateral in accordance with the rules the Fund separately designates.

Article 58. (Payment of the Fund Subrogation Settlement)

1. In order to make payment for the Fund subrogation settlement, the Fund shall transfer the balance of the total amount of claims subject to calculation after subtracting the amount of segregated property concerning the designated trust, the Fund segregated deposit or S-Fund segregated deposit and bank guarantee, up to the subrogation limit, from the subrogation reserve prescribed in Article 35, Paragraph 3 to the settlement funds.
2. In the event that the Fund made payment for subrogation settlement as prescribed in the preceding paragraph, the property deposited as subrogation collateral under the provisions of the preceding article (the equivalent amount of the subrogation payment in the case that the subrogation payment is less than the amount of subrogation collateral) shall be incorporated into the subrogation reserve. In the case that such transfer of the collateral did not satisfy the amount of subrogation settlement, the Fund may obtain a recourse claim for the unfulfilled balance against the subrogation member.
3. Notwithstanding the preceding paragraph, in the case that the subrogation member is assessed to be incapable of settlement or be subject to a segregation settlement in accordance with Article 30, or assessed to be incapable of settlement or be subject to an S-segregation settlement in accordance with Article 30-2 of the Rules, the Fund may exercise its entitlement to recourse in advance within the scope of the Subrogation limit against the subrogation member concerned.
4. The Fund shall, in order to collateralize recourse claims stipulated in the preceding paragraph, conclude an agreement with the member concerned to set up a pledge on the member's equity in the exchanges etc., a contribution compensation or withdrawal adjustment money, guarantee fund, clearing deposit, trading margin, profit/loss amount from mark to market, etc. and a right to receive redemption or value of option (only from proprietary accounts, the same shall apply hereinafter). The member concerned shall obey to it in the case that it is requested to conclude such agreement.
5. A member who concluded the agreement with the Fund according to the preceding paragraph, shall furnish a notice of establishment of the pledge as prescribed in the provisions of Article 364 of the Civil Code (Law No. 89 of 1896) with the exchanges etc. mentioned in the preceding paragraph, by a dated document with the Fund in a manner the Fund designates, except where the commodity exchange etc. admitted by a document

bearing a certified date to have no objections to the establishment of the pledge under the agreement.

6. The property obtained by the Fund as a result of exercising the rights for recourse in accordance with Paragraph 2 or 3 above shall be incorporated into the subrogation reserve.

Chapter 6-2 Submission of Customer Lists and other operations pursuant to Chapter 4, Section 5, Chapter 5, Section3 and Chapter 6, Section 3 of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions

Article 58-2

The Fund shall appropriately implement submission of customer lists and other operations pursuant to Chapter 4, Section 5, Chapter 5, Section3 and Chapter 6, Section 3 of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Act No. 95 of 1996; hereinafter referred to as “the Special Measures for Reorganization Act”)

Chapter 6-3 Request for Petition to Commence Bankruptcy Proceedings

Article 58-3 (Request for Petition to Commence Bankruptcy Proceedings)

1. In the event that even if the Fund has requested that a S-member file a petition to commence bankruptcy proceedings pursuant to the provisions of Article 12-3 of the Articles of Incorporation, such S-member does not file the petition to commence the bankruptcy proceedings without just cause, the Fund may request the Prime Minister to file the petition to commence the bankruptcy proceedings pursuant to the provisions of Article 490, Paragraph 1 of the Special Measures for Reorganization Act.
2. If the petition to commence bankruptcy proceedings is filed by the Prime Minister as a result of the request of the preceding paragraph and if it is deemed particularly necessary for the Fund to achieve the purpose of the Fund in an efficient way (limited to the case where it is expected to save costs for the S-operations stipulated in Article 56-2 of the Articles) in consideration of financial resources, condition of property and other situations of the S-member subject to such petition, the Fund may bear the expenses necessary for such bankruptcy proceedings.

Chapter 7. Miscellaneous Provisions

Article 59. (Method of Public Announcement)

Public announcements shall be implemented by posting at the posting area of the Fund, and if necessary, by electronic announcements or public bulletin.

Article 60. (Obtainment of Power of Attorney for Judicial or Out-of-Court Conduct)

The Fund shall obtain power of attorney from general customers of the member concerned or from S-general customers of the S-member concerned in the case that it performs judicial or out-of-court conduct necessary to exercise rights concerning the guarantee fund prescribed in Article 101, Paragraph 5 of the Act or Article 114, Paragraph 4 of the FIE Act, and secure the implementation of other claims of general customers against the member as stipulated in Article 311, Paragraph 1 of the Act (limited to those pertaining to the claims of general customers concerned), or of other claims of S-general customers against the S-member as stipulated in Article 79-60, Paragraph 1 applied under Article 4, Paragraph 1 of supplementary provisions of the FIE Amending Act (limited to those pertaining to the claims of S-general customers concerned).

Article 61. (Special Treatment for Refunding of Trading Margin, Customer Margin or Agency Customer Margin to Agency Customers etc.)

In the case that the Fund concluded contracts stipulated in Article 13, Paragraph 6 of the Articles with a member and the other party of the agency contract, the Fund may directly refund trading margin, customer margin or agency customer margin to the customers or S-customers, or agency customers or S-agency customers, on behalf of the member.

Article 62. (Stipulating Detailed Regulations)

The President shall separately stipulate detailed regulations on necessary items concerning the Operating Rules.