

Cabinet Office Ordinance on Transactions prescribed in Article 161-2 of the Financial Instruments and Exchange Act and Security Deposits for Said Transactions

(Ordinance of the Ministry of Finance No. 75 of August 27, 1953)

Pursuant to the provisions of Article 49 of the Securities and Exchange Act, the Ministerial Ordinance on Transactions prescribed in Article 49 of the Securities and Exchange Act and Security Deposits for Said Transactions is established as follows.

(Definitions)

- Article 1 (1) "Margin Transaction" as used in this Cabinet Office Ordinance means sale and purchase or other transactions of Securities performed by a Financial Services Provider (meaning Financial Services Provider prescribed in Article 2, paragraph (9) of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "Act"); the same shall apply hereinafter) by granting credit to a customer (including Financial Services Provider in cases where the Financial Services Provider is a customer; the same shall apply hereinafter).
- (2) "When-issued Transaction" as used in this Cabinet Office Ordinance means sale and purchase or other transactions of unissued Securities performed by a Financial Services Provider for a customer which involve the transfer of the Securities or the certificates by the day after a certain number of days have elapsed from the issue date of said Securities (in cases where a certificate which can be obtained in exchange of said Securities has been prepared, the first day on which said certificate is prepared; the same shall apply hereinafter).
- (3) "Unsettled Account" as used in this Cabinet Office Ordinance means debt pertaining to credit granted by a Financial Services Provider to a customer for a Margin Transaction.
- (4) "Cross Trade" as used in this Cabinet Office Ordinance means a trade performed before the completion of transfer of Securities purchased in a When-issued Transaction whereby the same issue of Securities as the aforementioned Securities are sold in equal volume, or a trade performed before the completion of transfer of Securities sold in a When-issued Transaction whereby the same issue of Securities as the aforementioned Securities are purchased in equal volume.

(Rate to be Multiplied by Market Value of Securities, etc.)

Article 2 (1) The transactions prescribed in Article 161-2, paragraph (1) of the Act and the rate to be multiplied by the market value of Securities pertaining to said transactions pursuant to the provisions of that paragraph shall be the transactions and the rates listed in the following items.

(i) Margin Transaction: 30 percent

(ii) When-issued Transaction: 30 percent

(2) The provision for the rate to be multiplied by the market value of Securities pertaining to a Margin Transaction referred to in item (i) of the preceding paragraph shall not apply to the Margin Transaction in cases where the Margin Transaction is due to the exercise of the option for a transaction referred to in Article 2, paragraph (21), item (iii) of the Act pertaining to share certificates and is settled by a reversing trade of the same issue of said share certificates in equal volume (limited to cases in which the transfer date is the same as the day of said Margin Transaction).

(3) The provision for the rate to be multiplied by the market value of Securities pertaining to a When-issued Transaction referred to in paragraph (1), item (ii) shall not apply to the When-issued Transaction in cases where the When-issued Transaction is due to a Cross Trade or Brokerage for Clearing of Securities, etc.

(Amount of Security Deposit)

Article 3 The amount of money to be deposited by a customer and received by a Financial Services Provider for the transactions listed in the items of paragraph (1) of the preceding Article pursuant to the provisions of Article 161-2, paragraph (1) of the Act (hereinafter referred to as "Security Deposit") shall be no less than the amount calculated by multiplying the contract price of the Securities pertaining to said transactions by the rate listed in the said items (hereinafter referred to as "Normal Minimum Amount"); provided, however, that in cases that fall under any of the following items, the Security Deposit for Margin Transaction shall be no less than the amount listed therein.

(i) At the time of receiving a Security Deposit, if the Financial Services Provider has no Security Deposit Received (meaning the Security Deposit actually received; the same shall apply hereinafter) pertaining to the customer's Margin Transaction and when the Normal Minimum Amount of the Margin Transaction for which said Security Deposit is to be received falls short of 300 thousand yen: 300 thousand yen

(ii) At the time of receiving a Security Deposit, if the Financial Services Provider has a Security Deposit Received for the customer' Margin Transaction and when the sum of the Normal Minimum Amount of the Margin Transaction for which said Security Deposit is to be received and the

total amount of said Security Deposit Received falls short of 300 thousand yen: The amount equal to the difference between said sum and 300 thousand yen, plus the Normal Minimum Amount pertaining to the Margin Transaction for which said Security Deposit is to be received

(Payment of Security Deposit)

Article 4 When a Financial Services Provider has performed a Margin Transaction or When-issued Transaction for its customer, it must receive a Security Deposit for said transaction from the customer within three days after the day of performance thereof (when there are any non-business days, the number of days calculated by adding the number of such non-business days).

(Calculation of Security Deposit in Case of Receipt of Deposit)

Article 5 The amount of money received by a Financial Services Provider as a Security Deposit from a customer pursuant to the provisions of the preceding Article shall be calculated by deducting the amount of credit granted when the credit is granted for a Margin Transaction other than credit granted to the customer in the amount equal to the contract price of the Securities pertaining to said Margin Transaction, and by deducting the amount of credit granted when the credit is granted to the customer for a When-issued Transaction.

(Securities in Lieu of Security Deposits)

Article 6 (1) The substitute price in cases where all or part of the Security Deposit to be received by a Financial Services Provider is substituted by Securities pursuant to the provisions of Article 161-2, paragraph (2) of the Act (hereinafter referred to as "Substitute Price") shall be no more than the market value (meaning, in a Financial Instruments Exchange Market (meaning Financial Instruments Exchange Market prescribed in Article 2, paragraph (17) of the Act; hereinafter the same shall apply in this paragraph), the market value determined by a Financial Instruments Exchange (meaning Financial Instruments Exchange prescribed in paragraph (16) of that Article; hereinafter the same shall apply in this paragraph) with the permission of the Commissioner of the Financial Services Agency based on the provisions of Article 149, paragraph (1) of the Act, and in an Over-the-Counter Securities Market (meaning Over-the-Counter Securities Market prescribed in Article 67, paragraph (2) of the Act; hereinafter the same shall apply in this paragraph), the market value determined by an Authorized Financial Instruments Business Association (meaning Authorized Financial Instruments Business Association prescribed in Article 2, paragraph (13) of the Act; hereinafter the same shall apply in this paragraph) registered pursuant to the provisions of Article 67-11, paragraph (1) of the Act with the permission of the

Commissioner of the Financial Services Agency based on the provisions of Article 67-12 of the Act; the same shall apply hereinafter) on the day before the date of receipt thereof multiplied by 80 percent with respect to share certificates, and the rate specified by obtaining the authorization of the Commissioner of the Financial Services Agency with respect to other Securities (in a Financial Instruments Exchange Market, the rate determined by a Financial Instruments Exchange with the permission of the Commissioner of the Financial Services Agency based on the provisions of Article 85-2, paragraph (1) of the Act, and in an Over-the-Counter Securities Market, the rate determined by an Authorized Financial Instruments Business Association registered pursuant to the provisions of Article 67-11, paragraph (1) of the Act with the permission of the Commissioner of the Financial Services Agency based on the provisions of Article 67-12 of the Act).

(2) In cases where all or part of the Security Deposit to be received is substituted by corporate bonds, etc. prescribed in Article 2, paragraph (1) of the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001) pursuant to the provisions of Article 161-2, paragraph (2) of the Act that is handled by a Book-Entry Transfer Institution prescribed in Article 2, paragraph (2) of the Act on Transfer of Bonds, Shares, etc. (hereinafter referred to as "book-entry transfer corporate bonds, etc." in this paragraph), when a Financial Services Provider has a statement or record of said book-entry transfer corporate bonds, etc. made in the column for holdings in the Financial Services Provider's account (meaning holdings account prescribed in that Act), the Financial Services Provider must distinguish said column from the column for its own transactions.

(Withdrawal, etc. of Security Deposit)

Article 7 (1) A Financial Services Provider shall not have money or Securities received as a Security Deposit from a customer for Margin Transaction or When-issued Transaction withdrawn or appropriated for the amount of money to be received afresh as a Security Deposit pursuant to the provisions of Article 4 before the settlement of the Unsettled Account or the completion of transfer of Securities pertaining to the When-issued Transaction; provided, however, that in any of the cases listed in the following items, this shall not apply to money or Securities not exceeding the respective amounts specified in said items.

(i) In cases where the total amount of the Security Deposit Received pertaining to the customer's Margin Transaction upon having the Security Deposit withdrawn or appropriated exceeds the amount calculated by multiplying the contract price of all Securities pertaining to the customer's Margin Transaction (limited to those pertaining to said Security Deposit Received;

hereinafter the same shall apply in paragraph (1), items (i) and (iii), and paragraphs (2) and (3) of the following Article) by 30 percent (when the amount falls short of 300 thousand yen in cases where the Security Deposit is to be withdrawn, 300 thousand yen): Money corresponding to the excess amount (in cases where the Security Deposit is appropriated, when said excess amount exceeds the amount of difference between the total amount of the Security Deposit Received plus the amount of money to be received afresh as a Security Deposit and 300 thousand yen, the amount calculated by deducting the amount of the excess portion; hereinafter the same shall apply in this item and the following item) or Securities corresponding to the amount calculated by dividing said excess amount by the rate prescribed in the preceding Article

- (ii) In cases where the total amount of the Security Deposit Received pertaining to the customer's Margin Transaction upon having the Security Deposit appropriated exceeds the amount calculated by multiplying the amount of the contract price of all Securities pertaining to the customer's Margin Transaction (limited to those pertaining to said Security Deposit Received) minus the contract price of Securities for which a reversing trade has been performed (excluding the contract price of Securities for which a reversing trade has been performed in cases where said reversing trade is performed on the day of the Margin Transaction and another Margin Transaction is performed on the same day) by 30 percent: Money corresponding to the excess amount or Securities corresponding to the amount calculated by dividing said excess amount by the rate prescribed in the preceding Article
- (iii) In cases where the total amount of the Security Deposit Received pertaining to the customer's Margin Transaction when the Security Deposit is to be withdrawn for the purpose of settling part of the Unsettled Account exceeds the amount calculated by multiplying the amount of the contract price of all Securities pertaining to the customer's Margin Transaction (limited to those pertaining to said Security Deposit Received) minus the contract price of Securities in a Margin Transaction pertaining to the Unsettled Account to be settled by 30 percent (when the amount falls short of 300 thousand yen, 300 thousand yen): Money corresponding to the excess amount or Securities corresponding to the amount calculated by dividing said excess amount by the rate prescribed in the preceding Article
- (iv) On the condition that all payments for the sale of Securities purchased or sold by Margin Transaction pertaining to the Unsettled Account to be settled (excluding settlement by a reversing trade) must be deposited as a Security Deposit, in cases where the Security Deposit is to be withdrawn for the purpose of said settlement: Money or Securities corresponding to the amount

- of all Security Deposits received from a customer pursuant to the provisions of Article 4 (limited to cases in which the total amount of the Security Deposit Received after the deposit thereof is equal to or more than the amount calculated by multiplying the contract price of the Securities pertaining to the customer's Margin Transaction (limited to those pertaining to said Security Deposit Received) by 30 percent (when the amount falls short of 300 thousand yen, 300 thousand yen))
- (v) In cases where the Security Deposit is to be withdrawn for the purpose of settling all Unsettled Accounts: Money or Securities corresponding to the amount of all Security Deposits received from a customer pursuant to the provisions of Article 4
- (vi) In cases where the rights of the Securities sold by Margin Transaction have expired, and the total amount of the Security Deposit Received pertaining to the customer's Margin Transaction upon having the Security Deposit withdrawn for the purpose of making the customer pay the amount to be borne by him/her in conjunction with said expiry of rights exceeds the amount calculated by multiplying the contract price of all Securities pertaining to the customer's Margin Transaction (limited to those pertaining to said Security Deposit Received) by 30 percent (when the amount falls short of 300 thousand yen, 300 thousand yen): Money corresponding to the excess amount
- (vii) In cases where the total amount of the Security Deposit Received pertaining to the customer's When-issued Transaction upon having the Security Deposit withdrawn or appropriated exceeds the amount calculated by multiplying the contract price of all Securities (when there is a Cross Trade, excluding the trade that opposes said Cross Trade and Securities pertaining to said Cross Trade; hereinafter the same shall apply in the following item) pertaining to the customer's When-issued Transaction (limited to those pertaining to said Security Deposit Received; hereinafter the same shall apply in paragraph (1), items (ii) and (iii), and paragraphs (2) and (3) of the following Article) by 30 percent: Money corresponding to the excess amount or Securities corresponding to the amount calculated by dividing said excess amount by the rate prescribed in the preceding Article
- (viii) In cases where the total amount of the Security Deposit Received pertaining to the customer's When-issued Transaction upon having the Security Deposit withdrawn for the purpose of transferring part of the Securities pertaining to the When-issued Transaction exceeds the amount calculated by multiplying the amount of the contract price of all Securities pertaining to the customer's When-issued Transaction (limited to those pertaining to said Security Deposit Received) minus the contract price of Securities pertaining to the When-issued Transaction to be transferred by 30

- percent: Money corresponding to the excess amount or Securities corresponding to the amount calculated by dividing said excess amount by the rate prescribed in the preceding Article
- (ix) On the condition that all payments for the sale of Securities purchased or sold by When-issued Transaction to be transferred must be deposited as a Security Deposit, in cases where the Security Deposit is to be withdrawn for the purpose of said transfer: Money or Securities corresponding to the amount of all Security Deposits received from a customer pursuant to the provisions of Article 4 (limited to cases in which the total amount of the Security Deposit Received after the deposit thereof is equal to or more than the amount calculated by multiplying the contract price of the Securities pertaining to the customer's When-issued Transaction by 30 percent)
- (x) In cases where the Security Deposit is to be withdrawn for the purpose of transferring all Securities pertaining to a When-issued Transaction: Money or Securities corresponding to the amount of all Security Deposits received from a customer pursuant to the provisions of Article 4
- (xi) In cases where all or part of the money or Securities deposited by the customer as a Security Deposit for the Margin Transaction or When-issued Transaction is replaced: Money or Securities corresponding to the amount of such money or Securities
- (2) The contract price referred to in items (i) to (iv) inclusive and item (vi) of the preceding paragraph and paragraph (3) of the following Article shall be the price minus the price of the rights in cases where all Securities pertaining to Margin Transaction include ex-right Securities and the Unsettled Account is settled by deducting the price of the rights from payments for the sale or purchase of said Securities (the contract price referred to in item (i) of the preceding paragraph (limited to instances of appropriation, excluding cases where the customer subscribes to the Securities in conjunction with said expiry of rights) and item (ii) (excluding cases where the customer subscribes to the Securities in conjunction with said expiry of rights) and paragraph (3) of the following Article shall include cases in which the customer agrees to perform said settlement with a Financial Services Provider).

(Calculation of Total Amount of Security Deposit Received)

Article 8 (1) The total amount of the Security Deposit Received prescribed in Article 3, item (ii), and paragraph (1), items (i) to (iv) inclusive and item (vi) of the preceding Article shall be calculated by deducting the following amounts pertaining to Margin Transaction, and the total amount of the Security Deposit Received prescribed in items (vii) to (ix) inclusive of that paragraph shall be calculated by deducting the following amounts pertaining to When-issued Transaction; provided, however, that neither the amount of Margin

Transaction pertaining to the Unsettled Account to be settled specified in item (i) nor the amount of When-issued Transaction to be transferred specified in item (ii) shall be deducted from the total amount of the Security Deposit Received prescribed in item (iii) or (viii) of that paragraph.

- (i) The amount corresponding to the sum of the amount of paper loss calculated by deducting the profit based on fluctuations in the market price of Securities pertaining to the customer's Margin Transaction from the loss thereof, the amount of loss due to reversing trade and commission fees, interest on borrowings, borrowing fee for borrowed Securities and others that should be borne by the customer for the customer's Margin Transaction (in the case of calculating the total amount of the Security Deposit Received prescribed in paragraph (1), item (vi) of the preceding Article, excluding the amount to be borne by the customer in conjunction with said expiry of rights of the Securities sold).
 - (ii) The amount corresponding to the sum of the amount of paper loss calculated by deducting the profit based on fluctuations in the market price of Securities pertaining to the customer's When-issued Transaction and the profit from Cross Trade from the loss based on fluctuations in the market price of Securities pertaining to the customer's When-issued Transaction and the loss from Cross Trade, respectively, commission fees and others that should be borne by the customer for the customer's When-issued Transaction.
 - (iii) The amount corresponding to the amount of credit granted in cases where credit is granted for the customer's Margin Transaction other than credit granted to the customer in the amount equal to the contract price of the Securities pertaining to the Margin Transaction, or the amount equal to the amount of credit granted in cases where credit is granted to the customer for the customer's When-issued Transaction.
 - (iv) In cases where the customer's debt owed to the Financial Services Provider remains after the settlement of the customer's Unsettled Account or after the completion of transfer of Securities pertaining to the When-issued Transaction (including such debt that gives rise to a new debt/credit relationship with said Financial Services Provider in the form of borrowing or other debt).
- (2) In the calculation of the total amount of the Security Deposit Received prescribed in the preceding paragraph, notwithstanding the provisions of Article 6, the Substitute Price in cases where all or part of the Security Deposit pertaining to the customer's Margin Transaction or When-issued Transaction is substituted by Securities shall be equal to the market value of said Securities on the day before the calculation date multiplied by the rate prescribed in that Article.
- (3) Profit or loss based on fluctuations in the market price of Securities

pertaining to the customer's Margin Transaction or When-issued Transaction referred to in paragraph (1) shall be the gain or loss arising from the difference between the contract price of said Securities and the value appraised at the market value of said Securities as at the day before the calculation date (when the market value of the day before said date does not exist, the market value as at the nearest date thereof).

(Limit of Withdrawal of Calculated Amount of Profit)

Article 9 (1) In cases where an amount calculated as a profit based on fluctuations in the market price of Securities pertaining to the customer's Margin Transaction or When-issued Transaction, a Financial Services Provider shall neither deliver money or Securities corresponding to said amount calculated as a profit to the customer nor appropriate the same to the amount of money to be received as a Security Deposit pursuant to the provisions of Article 4.

(2) In cases where the customer performed a Cross Trade, a Financial Services Provider shall neither deliver money or Securities corresponding to the amount calculated as a profit by performing said Cross Trade to the customer before the completion of the Cross Trade or the transfer in said Cross Trade, nor appropriate the same for the amount of money to be received as a Security Deposit pursuant to the provisions of Article 4.

(Transactions that Do Not Clearly Indicate that Margin Transaction will be Performed)

Article 10 (1) For transactions which do not clearly indicate that the customer will perform a Margin Transaction at the same time as placing an order for the sale or purchase of Securities, a Financial Services Provider must not perform any transaction that settles Securities pertaining to the sale or purchase in said transactions by the customer with an opposing sale or purchase of the Securities.

(2) The provisions of the preceding paragraph shall not apply to the case prescribed in Article 2, paragraph (2).