

Regulation for Enforcement of the Act on Close-Out Netting of Specified Financial Transactions Conducted by Financial Institutions

(Order of the Prime Minister's Office and the Ministry of Finance No. 48 of November 27, 1998)

Pursuant to the provisions of Article 2, paragraphs (1) and (6) of the Act on Close-Out Netting of Specified Financial Transactions Conducted by Financial Institutions (Act No. 108 of 1998), the Regulation for Enforcement of the Act on Close-Out Netting of Specified Financial Transactions Conducted by Financial Institutions is hereby established as follows.

(Specified Financial Transactions)

Article 1 The transactions specified by Cabinet Office Order as prescribed in Article 2, paragraph (1) of the Act on Close-Out Netting of Specified Financial Transactions Conducted by Financial Institutions (hereinafter referred to as "the Act") are as follows:

- (i) Over-The-Counter derivatives transactions prescribed in Article 2, paragraph (22) of the Financial Instruments and Exchange Act (Act No. 25 of 1948), and loan or deposit of cash or securities conducted for the purpose of providing collateral for those transactions (hereinafter referred to as "collateral transactions");
- (ii) financial derivatives transactions prescribed in Article 10, paragraph (2), item (xiv) of the Banking Act (Act No. 59 of 1981) and collateral transactions thereof;
- (iii) repurchase agreement and reverse repurchase agreement for securities and collateral transactions thereof;
- (iv) lending and borrowing of securities and collateral transactions thereof;
- (v) bond trading wherein one party thereto is entitled to designate the delivery date, and wherein the contract for the trading of bonds will be cancelled if the party does not exercise the right within a certain period, and collateral transactions thereof;
- (vi) foreign exchange futures transactions and collateral transactions thereof; and
- (vii) Over-The-Counter commodity derivative transactions under Article 2, paragraph (14) of the Commodity Derivatives Transaction Act (Act No. 239 of 1950) and collateral transactions thereof (excluding those that fall under item (ii)).

(Calculation of Appraisal Value)

Article 2 The values, as determined pursuant to a method to be established by Cabinet Office Order as prescribed in Article 2, paragraph (6) of the Act are the values calculated by a fair method based on actual conditions of market variables including the interest rates, currency values, and quotations on financial instruments markets (meaning the financial instruments market under Article 2, paragraph (14) of the Financial Instruments and Exchange Act).