



## **Business Rules**

### **JASDEC DVP Clearing Corporation**

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## Business Rules

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### Chapter 1 General Provisions

#### (Article 1 Purpose)

In accordance with the provisions of Article 156-7 of the Financial Instruments and Exchange Law (Law No. 25 of 1948; hereinafter referred to as the “Law”), these Business Rules set forth the principal rules applicable to the Financial Instruments Obligation Assumption Business (meaning herein the Financial Instruments Obligation Assumption Business defined in Article 2, Paragraph 28 of the Law) and other business to be conducted by JASDEC DVP Clearing Corporation (hereinafter referred to as “JDCC”).

(Article 2 Financial Instruments Obligation Assumption Business and Related Business)

JDCC shall conduct the business described in Article 156-6, Paragraph 1 of the Law, in addition to the Financial Instruments Obligation Assumption Business.

(Article 3 DVP Settlement)

1 JDCC shall conduct the Financial Instruments Obligation Assumption Business and the business set forth in the preceding Article (hereinafter collectively referred to as the “Financial Instruments Obligation Assumption Business and Related Business”), in which business JDCC shall assume the obligations arising from Transactions Subject to Clearing (meaning the Transactions Subject to Clearing as defined in the following Article) in accordance with these Business Rules (including other rules; hereinafter simply referred to as the “Business Rules,” except Article 101), so that JDCC and the DVP Participants (each meaning in this Chapter the DVP Participant as defined in Article 8, Paragraph 1) shall undertake obligations to and acquire claims against each other, and then carry out the settlement of such obligations and claims.

2 Settlement of the obligations and claims set forth in the preceding Paragraph (excluding settlement of the obligations and claims with respect to the assumption of the obligations pursuant to the Amount Adjustment Instructions as defined in Article 39-2, Paragraph 2) shall be carried out, in accordance with the Business Rules, by transferring the relevant securities and paying the funds to a DVP Participant up to the sum of the securities transferred to and the funds deposited with JDCC by the DVP Participant, and the securities scheduled to be transferred to the DVP Participant (such settlement being hereinafter referred to as the “DVP Settlement”).

3 A transfer of securities with respect to a DVP Settlement shall be made through a Non-Exchange Transaction Transfer (meaning herein book-entry transfers (except for transfers for the settlement of trades at financial instruments markets) carried out by Japan Securities Depository Center (hereinafter referred to as “JASDEC”) between accounts (meaning herein (i) JASDEC Participants’ Accounts opened by JASDEC in order to implement book-entry transfers of stocks, etc., pursuant to Article 12, Paragraph 1 of the Act on Book-Entry Transfer of Corporate Bonds and Shares, etc. (Law No.75 of 2001; hereinafter referred to as the “Book-Entry Transfer Act”), and (ii) accounts opened for

provisions of the Depository and Book-entry Transfer of the Foreign Stock Certificates, Etc.)) or a book-entry transfer under the JGB Book-Entry System of the Bank of Japan.

(Article 4 Transactions Subject to Clearing)

1 A transaction from which the target obligations of the Financial Instruments Obligation Assumption Business and Related Business conducted by JDCC arise (hereinafter referred to as a “Transaction Subject to Clearing”) shall be those set forth in the Items below:

- (1) (i) A trade of securities or (ii) an exchange of securities and funds carried out to satisfy the obligations arising from such trade;
- (2) (i) A lending of securities or (ii) a transfer of securities carried out to satisfy the obligation arising from such lending; or
- (3) (i) A transfer of collateral relating to a lending of securities or (ii) a transfer of securities or funds carried out to satisfy the obligation arising from such transfer of collateral.

2 The securities to be transferred in a Transaction Subject to Clearing set forth in the preceding Paragraph (hereinafter referred to as the “Subject Securities”) shall be those set forth in the Items below, depending upon the classifications of the Transactions Subject to Clearing described in such Items:

(1) The Transaction Subject to Clearing set forth in Item (1) of the preceding Paragraph Securities which are handled in connection with the Stocks, Etc., Book-Entry Transfer Business (meaning the book-entry transfer business prescribed in Article 8 of the Book-Entry Transfer Act) conducted by JASDEC and foreign stock certificates, etc. which are handled in connection with the Depository and Book-entry Transfer of the Foreign Stock Certificates, Etc. conducted by JASDEC (hereinafter collectively referred to as the “JASDEC Eligible Securities”), and which are set forth in (a), (b), (c), (d), (e), (f), (g), (h) or (i) below:

- (a) Stocks
- (b) Stock Acquisition Rights
- (c) Corporate Bonds with Stock Acquisition Rights
- (d) Investment Units
- (e) Rights offering for investment corporations
- (f) Preferred Equity Investments

- (g) Investment Trust Beneficiary Rights
  - (h) Beneficial rights of trust issuing certificates of beneficial rights
  - (i) Foreign stock certificates, etc.
- (2) The Transaction Subject to Clearing set forth in Item (2) of the preceding Paragraph  
The JASDEC Eligible Securities which are set forth in (a), (b), (c), (d), (e), (f), (g), or (h)  
below:
- (a) Stocks
  - (b) Stock Acquisition Rights (excluding non-listed stock acquisition rights)
  - (c) Investment Units
  - (d) Rights offering for investment corporations (excluding non-listed rights offering for investment corporations)
  - (e) Preferred Equity Investments
  - (f) Investment Trust Beneficiary Rights
  - (g) Beneficial rights of trust issuing certificates of beneficial rights
  - (h) Foreign stock certificates, etc.
- (3) The Transaction Subject to Clearing set forth in Item (3) of the preceding Paragraph  
The JASDEC Eligible Securities which are set forth in (a), (b), (c), (d), (e), (f), (g), (h) or  
(i) below, and securities other than the JASDEC Eligible Securities which are set forth  
in (j) below:
- (a) Stocks
  - (b) Stock Acquisition Rights
  - (c) Corporate Bonds with Stock Acquisition Rights
  - (d) Investment Units
  - (e) Rights offering for investment corporations
  - (f) Preferred Equity Investments
  - (g) Investment Trust Beneficiary Rights
  - (h) Beneficial rights of trust issuing certificates of beneficial rights
  - (i) Foreign stock certificates, etc.
  - (j) Japanese government bonds

(Article 5 Business Hours)

1 JDCC business hours shall be from 9:00 a.m. until 5:00 p.m. except as otherwise prescribed

in the Business Rules or designated by JDCC.

- 2 JDCC may, if it deems necessary, temporarily change its business hours. In such event, JDCC shall notify the DVP Participants to that effect in advance.

(Article 6 Holidays)

1 The holidays of JDCC shall be:

- (1) Holidays provided in the Law Concerning National Holidays (Law No.178 of 1948);
- (2) Saturdays and Sundays; and
- (3) Days from December 31 until January 3 of the following year (except for the days described in the foregoing Items).

- 2 Notwithstanding the provisions of the preceding Paragraph, JDCC may, if it deems necessary, designate temporary holidays or temporary business days. In such event, JDCC shall notify the DVP Participants to that effect in advance.

(Article 7 Temporary Suspension of Business, etc.)

- 1 JDCC may, if it deems necessary, temporarily suspend or temporarily conduct some or all of the business activities relating to the Financial Instruments Obligation Assumption Business and Related Business.
- 2 When the preceding Paragraph applies, JDCC shall promptly notify the DVP Participants to that effect.

## Chapter 2 DVP Participants

### Section 1 Common Provisions

(Article 8 DVP Participants)

- 1 A DVP Participant means a person which is qualified to become a counterparty in the Financial Instruments Obligation Assumption Business and Related Business conducted by JDCC as a Clearing Participant (meaning a Clearing Participant as defined in Article 156-7, Paragraph 2, Item 3 of the Law) (such qualification being hereinafter referred to as the “Clearing Qualification”).
- 2 A person shall be eligible to obtain the Clearing Qualification if (i) JASDEC has opened an

account for such person, and (ii) JASDEC has also approved such person's use of the systems conducted by JASDEC that process the operations with respect to the matching of settlement conditions, etc., of securities transactions, etc., (such system being hereinafter referred to as the "PSMS") (such person being hereinafter referred to as the "PSMS User").

## Section 2 Obtaining the Clearing Qualification

(Article 9 Application for Obtaining Clearing Qualification)

A person which wishes to obtain the Clearing Qualification shall file an application with JDCC in accordance with the rules prescribed by JDCC.

(Article 10 Criteria, etc., for Approval)

1 If JDCC determines that all the requirements that JDCC deems necessary from the viewpoint of its operation of the Financial Instruments Obligation Assumption Business and Related Business, including those set forth in the Items below, are satisfied with respect to a person which has filed the application set forth in the preceding Article (hereinafter referred to as a "Qualification Applicant"), JDCC shall approve the Clearing Qualification to be obtained thereby:

(1) Internal System for Management

That the Qualification Applicant has a sound internal system for management through which credible social status with respect to the Financial Instruments Obligation Assumption Business and Related Business conducted by JDCC is sufficiently ensured, for instance, that the Qualification Applicant is not under the control or influence of a person or persons deemed to be inappropriate in light of JDCC's operation of the Financial Instruments Obligation Assumption Business and Related Business.

(2) Financial Basis

That the Qualification Applicant is expected to fulfill the requirements set forth in either of A) or B) below in accordance with the classification set forth in A) and B) below before the date of obtaining the Clearing Qualification:

A) Financial Instruments Business Operators (meaning herein Financial Instruments Business Operators as defined in Article 2, Paragraph 9 of the Law, which conduct

Type 1 Financial Instruments Business as defined in Article 28, Paragraph 1 of the Law) or securities finance companies

- (a) That the amount of its stated capital is not less than 300 million yen;
- (b) That the amount of its net assets (*jun zaisan*) (in the case of securities finance companies, the amount of its net assets (*jun shisan*)) is not less than the larger of 2 billion yen and the amount of its stated capital;
- (c) That the Capital-to-Risk Ratio is not less than 200 percent (in the case of securities finance companies, the foregoing shall apply *mutatis mutandis*); and
- (d) In the case of a special financial instruments business operator (limited herein to persons who submit notification prescribed in Article 57-5, Paragraph 2 of the Law), that the consolidated Capital-to-Risk Ratio is not less than 200 percent.

B) Persons which are not Financial Instruments Business Operators or securities finance companies

- (a) That the amount of its stated capital or the total amount of capital contributions (in the case of a mutual company (*sougo kaisha*), meaning herein the total amount of the funds (*kikin*), including the reserve for redemption of the funds), is not less than 300 million yen;
- (b) That the amount of its net assets (*jun shisan*) is not less than the larger of 2 billion yen and the amount of its stated capital or the total amount of capital contributions;
- (c) Among the Banks (which mean banks, cooperative-organization-based financial institutions as defined in Article 2, Paragraph 1 of the Preferred Equity Investment Law or the Shoko Chukin Bank, Ltd. The same shall apply herein after), in the case of the banks subject to the Uniform International Standard, the Norinchukin Bank, the Shinkin Banks subject to the Uniform International Standard and the Shoko Chukin Bank Ltd. (hereinafter referred to as the Banks subject to the Uniform International Standard), requirements set forth in (i), (ii) and (iii) are satisfied (in the case of foreign banks, the foregoing shall apply *mutatis mutandis*.);
  - (i) Neither the non-consolidated nor consolidated common equity tier 1 capital ratio is less than 4.5 percent.
  - (ii) Neither the non-consolidated nor consolidated tier 1 capital ratio is less than 6



percent.

(iii) Neither the non-consolidated nor consolidated capital adequacy ratio is less than 8 percent.

(d) In the case of the Banks other than the Banks subject to the Uniform International Standard and foreign banks (hereinafter referred to as the Banks subject to the domestic standards), neither the non-consolidated nor the consolidated capital adequacy ratio based on the domestic standards is less than 4 percent; and

(e) In the case of insurance companies, neither the non-consolidated nor the consolidated solvency margin ratio is less than 400 percent.

(3) Internal System for Business Operation

That the Qualification Applicant has an appropriate internal system for business operation with respect to (i) the transfers and receipts of securities or funds to and from JDCC for the DVP Settlement, (ii) the management of risk of loss, and (iii) the compliance with the Laws and Regulations (meaning herein the Law, the Book-Entry Transfer Act, and laws and regulations related to the foregoing), dispositions imposed by administrative agencies pursuant to the Laws and Regulations, and the Business Rules.

2 Notwithstanding the provisions of the preceding Paragraph, JDCC may approve the Clearing Qualification by Qualification Applicant which is a Specific Bridge Financial institution(referring to a Specific Bridge Financial institution prescribed in Item (5) of Paragraph 3 of Article 126-34 of the Deposit Insurance Act (Act No. 34 of 1971); the same applies hereinafter).

3 The approval set forth in the preceding two (2) Paragraphs shall be granted, designating the date when the Clearing Qualification is to be obtained.

4 If JDCC has approved the Clearing Qualification to be obtained pursuant to Paragraph 1 or 2 above, JDCC shall notify the Qualification Applicant and the DVP Participants to that effect.

(Article 11 Completion of Procedures for Obtaining Clearing Qualification)

1 If JDCC approves the Clearing Qualification to be obtained pursuant to Paragraph 1 or 2 of the preceding Article, JDCC shall cause the Qualification Applicant to deposit the Participants Fund and complete other procedures prescribed by JDCC for obtaining the

Clearing Qualification on or before the following day:

(1) If JDCC approves the Clearing Qualification to be obtained pursuant to Paragraph 1 of the preceding Article, the day (meaning herein the immediately preceding business day if that day is a holiday) preceding the date designated by JDCC pursuant to Paragraph 3 of the preceding Article;

(2) If JDCC approves the Clearing Qualification to be obtained pursuant to Paragraph 2 of the preceding Article, the date designated by JDCC;

2 If the Qualification Applicant (limited to those which have been approved by JDCC to be obtained pursuant to Paragraph 1 of the preceding Article) has not completed the procedures set forth in the main clause of the preceding Paragraph on or before the date as defined in Item (1) of the preceding Paragraph, it shall be deemed that the Qualification Applicant has withdrawn the application for obtaining the Clearing Qualification.

3 With respect to the Qualification Applicant referred to in Paragraph 1 above, Article 17, Article 18, Article 21, Paragraph 2, Article 39, Article 39-2, Article 41, Article 43 (excluding Paragraph 1, Item (1)), Article 46, Paragraph 2, Article 50 (excluding provisions concerning the Securities-to-be-Received Completion Order in Paragraph 2), Chapter 7 (excluding Article 54), Chapter 8, Chapter 11 (excluding Article 72, Paragraph 1, Items (1) and (2)), Chapter 13 and Chapter 14 shall apply based upon the assumption that the Qualification Applicant would be a DVP Participant until the day preceding the date designated by JDCC pursuant to Paragraph 3 of the preceding Article.

(Article 12 Date of Obtaining Clearing Qualification)

1 If the Qualification Applicant has completed the procedures pursuant to the main clause of the Paragraph 1 of the preceding Article, JDCC shall grant the Clearing Qualification on the date designated by JDCC pursuant to Article 10, Paragraph 3.

2 The provisions of Article 10, Paragraph 4 shall apply *mutatis mutandis* in the case where JDCC has granted the Clearing Qualification to the Qualification Applicant pursuant to the preceding Paragraph.

### Section 3 Obligations of DVP Participants

(Article 13 Execution of DVP Participant Agreement)

A DVP Participant shall enter into the DVP Participant Agreement with JDCC in the form prescribed by JDCC.

(Article 14 DVP Participant Representative)

- 1 A DVP Participant shall provide JDCC, in accordance with the rules prescribed by JDCC, with prior notification designating an individual as the DVP Participant Representative, who is appropriate for representing the DVP Participant vis-a-vis JDCC and who is one of the senior management executives who are authorized to represent the DVP Participant (or one of the representatives in Japan with status equal to or higher than senior management executives in the case of a DVP Participant organized under the laws and regulations of a foreign country).
- 2 Only the DVP Participant Representative shall represent the DVP Participant vis-a-vis JDCC.

(Article 15 Person in Charge of DVP Settlement Operation)

A DVP Participant shall select, from its senior management executives or employees, an individual in charge of the DVP settlement operation, who shall supervise the operation relating to settlements between the DVP Participant and JDCC pursuant to the Business Rules, and notify JDCC of the individual in advance in accordance with the rules prescribed by JDCC.

(Article 16 Senior Management Executives and Cooperative Relationship or Controlling Relationship with Others)

- 1 If JDCC considers that any of the senior management executives of a DVP Participant or the cooperative relationship or controlling relationship between the DVP Participant and any other person is inappropriate in light of JDCC's operation of the Financial Instruments Obligation Assumption Business and Related Business, JDCC may request that the DVP participant carry out the necessary changes, presenting the reasons therefore, after a hearing is held for the DVP Participant. In such event, if the DVP Participant submits a statement, submission of such statement may be in lieu of the hearing.
- 2 If the DVP Participant refuses the hearing set forth in the preceding Paragraph without

a justifiable cause, JDCC may submit such request for changes set forth in the preceding Paragraph without the hearing.

3 If the DVP Participant considers that the request for changes referred to in Paragraph 1 above is unreasonable, the DVP participant may submit a written objection to JDCC, setting forth the reasons therefor, within ten (10) days after the DVP Participant receives the notice of the request for changes.

4 If JDCC receives the objection referred to in the preceding Paragraph, JDCC shall convene a meeting of the board of directors without delay.

5 If it is determined at the meeting of the board of directors referred to in the preceding Paragraph that it is appropriate to modify or revoke the request for changes referred to in Paragraph 1 above, the request for changes shall be immediately modified or revoked accordingly.

(Article 17 Payment of Fees by DVP Participants)

A DVP Participant shall pay the fees to JDCC in accordance with the rules prescribed by JDCC.

(Article 18 Deposit of Participants Fund)

A DVP Participant shall deposit the Participants Fund with JDCC pursuant to the provisions of Chapter 7, in order to ensure the performance of its obligations owed to JDCC.

(Article 19 Prohibition of Transfer of Rights, etc.)

Except as otherwise prescribed in the Business Rules, a DVP Participant shall not transfer, commit to transfer or pledge as collateral to any other person any of its rights or claims arising from the Transactions Subject to Clearing or any of its rights or claims against JDCC under the Business Rules.

(Article 20 Immunity)

JDCC shall not be required to compensate a DVP Participant for the damages which the DVP Participant may incur in connection with its operation relating to JDCC's Financial Instruments Obligation Assumption Business and Related Business unless JDCC is deemed to have committed willful misconduct or gross negligence.

(Article 21 Matters to be Notified)

1 If a DVP Participant intends to carry out any of the following actions, the DVP Participant shall submit notification thereof to JDCC in advance and in accordance with the rules prescribed by JDCC:

- (1) An application for the closure of an account at JASDEC;
- (2) An application for the suspension or discontinuance of the use of the PSMS;
- (3) Discontinuance of some or all of the business (limited to the case where such business relates to DVP Settlements and such partial or total discontinuance would result in the DVP Participant being not qualified under any of the Items under Article 44, Paragraph 1 of the Book-Entry Transfer Act; the same shall apply hereinafter);
- (4) A merger in which the DVP Participant is merged into the surviving company;
- (5) Dissolution of the DVP Participant due to reasons other than a merger or an order to commence bankruptcy proceedings;
- (6) Succession of some or all of the business of the DVP Participant by another juridical person due to a corporate split;
- (7) A transfer of some or all of the business;
- (8) A merger in which the DVP Participant is the surviving company;
- (9) Succession of some or all of the business of another person by the DVP Participant due to a corporate split;
- (10) Acquisition of some or all of the business;
- (11) A change in its corporate name (including herein the corporate name in English);
- (12) A change in its senior management executives; or
- (13) A change in the address of its headquarters or principal office.

2 If any of the following Items applies to a DVP Participant, the DVP Participant shall submit notification thereof to JDCC in advance and in accordance with the rules prescribed by JDCC:

- (1) If the DVP Participant intends to commence the business with respect to which the DVP Participant requests JDCC to assume the obligations arising from the Transactions Subject to Clearing set forth in Article 4, Paragraph 1, Item (2) or (3); or
- (2) If the DVP Participant intends to discontinue the business with respect to which the DVP Participant requests JDCC to assume the obligations arising from the

Transactions Subject to Clearing set forth in the preceding Item.

(Article 22 Matters to be Reported)

If any of the events prescribed by JDCC occurs, the DVP Participant shall immediately report to JDCC to that effect in accordance with the rules prescribed by JDCC.

(Article 23 Submission of Materials and Inspection)

If deemed necessary by JDCC for the investigation of a DVP Participant's compliance with the Business Rules or otherwise for JDCC's operation of the Financial Instruments Obligation Assumption Business and Related Business, JDCC may, presenting the reasons therefor, (i) request the DVP Participant to submit a report or information which serves as reference concerning the DVP Participant's business or assets relating to JDCC's Financial Instruments Obligation Assumption Business and Related Business, or (ii) cause JDCC's employees to inspect the DVP Participant's business or assets, books, documents or other materials.

#### Section 4 Forfeiture of Clearing Qualification

(Article 24 Forfeiture of Clearing Qualification)

1 A DVP Participant may, with JDCC's approval, surrender its Clearing Qualification.

2 Other than the case referred to in the preceding Paragraph, a DVP Participant shall forfeit its Clearing Qualification if any of the following Items applies:

- (1) If the DVP Participant becomes not a person for which JASDEC has opened an account and a PSMS User;
- (2) If the DVP Participant is dissolved; or
- (3) If the Clearing Qualification is revoked.

(Article 25 Application for Surrender of Clearing Qualification)

If a DVP Participant intends to surrender its Clearing Qualification pursuant to Paragraph 1 of the preceding Article, the DVP Participant shall apply for the surrender of its Clearing Qualification in accordance with the rules prescribed by JDCC.

(Article 26 Treatment of Outstanding Obligations of Applicant for Surrender of Clearing Qualification)

1 A DVP Participant shall perform all of its outstanding obligations owed to JDCC under the Business Rules (excluding those which JDCC determines on a case-by-case basis; hereinafter referred to as the “Outstanding Obligations”) before it applies for the surrender of its Clearing Qualification.

2 Notwithstanding the provisions of the preceding Paragraph, the DVP Participant referred to in the preceding Paragraph may perform, to the extent permitted by JDCC, the Outstanding Obligations when they become due in accordance with their original terms, if JDCC deems it unnecessary for the DVP Participant to fully perform its Outstanding Obligations in advance on the ground that, upon the forfeiture of its Clearing Qualification, for instance, (i) it is to be merged into, (ii) its business is to be succeeded due to a corporate split by, or (iii) its business is to be transferred to, a person which has the Clearing Qualification or which is to obtain the Clearing Qualification.

(Article 27 Suspension of Assumption of Obligations for Applicant for Surrender of Clearing Qualification)

1 If JDCC receives an application for the surrender of the Clearing Qualification from a DVP Participant (hereinafter referred to as the “Surrendering Applicant”), JDCC shall suspend the assumption of the obligations arising from new Transactions Subject to Clearing to which the Surrendering Applicant is a party from such date as JDCC designates falling on or after the day (if such day is a holiday, the following business day; the same shall apply hereinafter) immediately following the day on which JDCC receives the application for the surrender of the Clearing Qualification from the Surrendering Applicant.

2 Notwithstanding the provisions of the preceding Paragraph, JDCC may continue the assumption of some or all of the obligations arising from the Transactions Subject to Clearing to which the Surrendering Applicant is a party, if JDCC deems it unnecessary for the Surrendering Applicant to perform its Outstanding Obligations in advance on the ground that, upon the forfeiture of its Clearing Qualification, for instance, (i) it is to be merged into, (ii) its business is to be succeeded due to a corporate split by, or (iii) its business is to be transferred to, a person which has the Clearing Qualification or which is to obtain the Clearing Qualification.

(Article 28 Approval of Surrender of Clearing Qualification)

- 1 JDCC shall designate a future date for the approval of the surrender of the Clearing Qualification and the relevant Clearing Qualification shall be forfeited on such date.
- 2 If JDCC has approved the surrender of the Clearing Qualification, JDCC shall notify the Surrendering Applicant and the other DVP Participants to that effect.

(Article 29 Performance of Obligations upon Forfeiture of Clearing Qualification)

A person which has forfeited its Clearing Qualification pursuant to Article 24 shall apply the funds and securities that are returned from JDCC to satisfy all the obligations owed to JDCC as a DVP Participant.

#### Section 5 Disciplinary Measures Taken with respect to DVP Participants

(Article 30 Disciplinary Measures Relating to Violations of the Business Rules, etc., by DVP Participants)

- 1 If JDCC deems that any of the following Items applies to a DVP Participant, JDCC may, after a hearing is held for the DVP Participant, partially or totally suspend the assumption of the obligations arising from the Transactions Subject to Clearing to which the DVP Participant is a party, or revoke the Clearing Qualification of the DVP Participant; provided, however, that a resolution adopted at a meeting of JDCC's board of directors is required to revoke the Clearing Qualification:
  - (1) If the DVP Participant has become insolvent and is not likely to become solvent again easily;
  - (2) If the DVP Participant fails to perform some or all of its payment obligations relating to the Participant Settlement Amount (meaning hereinafter through Article 64 the Participant Settlement Amount as defined in Article 66, Paragraph 1) in accordance with the rules prescribed by JDCC;
  - (3) If the DVP Participant fails to pay money to JDCC or deposit securities with JDCC which are so required in accordance with the rules prescribed by JDCC;
  - (4) If the DVP Participant fails to submit to JDCC a notification pursuant to Article 21 or a report pursuant to Article 22, or submits to JDCC a false notification or report;



- (5) If the DVP Participant refuses, obstructs, or evades the inspection set forth in Article 23, or fails to submit a report or information pursuant to the same Article, or submits a false report or false information; or
  - (6) Other than the cases set forth in the foregoing Items, (i) if the DVP Participant violates the Business Rules, or (ii) if (a) the DVP Participant undermines the reputation of JDCC or the other DVP Participants, and (b) JDCC deems it necessary in light of its operation of the Financial Instruments Obligation Assumption Business and Related Business.
- 2 If any of the following Items applies to a DVP Participant, JDCC may, presenting the reasons therefore, after a hearing is held for the DVP Participant, take measures which JDCC deems necessary and appropriate, such as totally or partially suspending the assumption of the obligations arising from the Transactions Subject to Clearing to which the DVP Participant is a party:
- (1) If the DVP Participant refuses to comply with the request for changes in its senior management executives or the cooperative relationship or controlling relationship between the DVP Participant and other persons pursuant to Article 16;
  - (2) If (i) the majority of the voting rights (excluding the voting rights relating to the shares whose voting rights cannot be exercised with respect to all of the agenda at shareholders' meetings, but including the voting rights relating to those shares which are deemed to have voting rights pursuant to Article 879, Paragraph 3, of the Company Law (Law No. 86 of 2005)) of all shareholders of the DVP Participant or (ii) the majority of the voting rights relating to capital contributions to the DVP Participant is held by a person or persons that JDCC deems are inappropriate in light of its operation of the Financial Instruments Obligation Assumption Business and Related Business; or
  - (3) If a person, who serves as a consultant, advisor or in any other capacity and who exercises the same or greater degree of control over the DVP Participant as or than a senior management executive, is deemed to be inappropriate in light of JDCC's operation of the Financial Instruments Obligation Assumption Business and Related Business.
- 3 If any of the following Items applies to a DVP Participant, JDCC may, after a hearing is held for the DVP Participant, totally or partially suspend the assumption of the obligations arising from the Transactions Subject to Clearing to which the DVP

Participant is a party, until the cause of such suspension is eliminated:

- (1) If the amount of its stated capital or the total amount of capital contributions becomes less than 300 million yen and a swift recovery from such condition cannot be expected;
- (2) If the amount of its net assets (*jun zaisan*) (with regard to persons which are not the Financial Instruments Business Operators, the amount of its net assets (*jun shisan*)) becomes less than 300 million yen and a swift recovery from such condition cannot be expected;
- (3) In the case of the Financial Instruments Business Operators, if the Capital-to-Risk Ratio becomes less than 120 percent and a swift recovery from such condition cannot be expected (in the case of securities finance companies, the foregoing shall apply *mutatis mutandis*);
- (4) In the case of the special financial instruments business operator, if the consolidated Capital-to-Risk Ratio becomes less than 120 percent and a swift recovery from such condition cannot be expected;
- (5) In the case of the Banks subject to the Uniform International Standard, if they fall under any of the categories prescribed in (i), (ii) or (iii) below (in the case of foreign banks, the foregoing shall apply *mutatis mutandis if deemed necessary by JDCC*).
  - (i) Either the non-consolidated or consolidated common equity tier 1 capital ratio becomes less than 2.25 percent and a swift recovery from such condition cannot be expected;
  - (ii) Either the non-consolidated or consolidated tier 1 capital ratio becomes less than 3 percent and a swift recovery from such condition cannot be expected; and
  - (iii) Either the non-consolidated or consolidated capital adequacy ratio becomes less than 4 percent and a swift recovery from such condition cannot be expected.
- (6) In the case of the Banks subject to the domestic standards, either the non-consolidated or consolidated capital adequacy ratio based on the domestic standards becomes less than 2 percent and a swift recovery from such condition cannot be expected; or
- (7) In the case of insurance companies, if either the non-consolidated or consolidated solvency margin ratio becomes less than 100 percent and a swift recovery from such condition cannot be expected.

4 If JDCC deems that a DVP Participant becomes insolvent or is likely to become insolvent, JDCC may, after a hearing is held for the DVP Participant, totally or partially suspend

the assumption of the obligations arising from the Transactions Subject to Clearing to which the DVP Participant is a party, until the cause of such suspension is eliminated.

5 If a DVP Participant intends to take any of the actions set forth in Article 21, Items (1) through (7) (limited to the succession of the entire business under Item (6), and limited to the transfer of the entire business under Item (7)), but does not apply for the surrender of its Clearing Qualification, JDCC may, after a hearing is held for the DVP Participant, totally or partially suspend the assumption of the obligations arising from the Transactions Subject to Clearing to which the DVP Participant is a party.

(Article 31 Termination of Measures such as Suspension of Assumption of Obligations)

1 If (i) JDCC has suspended the assumption of obligations pursuant to the preceding Article without specifying any predetermined period of time, and (ii) the cause of the suspension of the assumption of obligations has been eliminated, the DVP Participant subject to such suspension may submit a request for the termination of such suspension, to which explanatory documents must be attached.

2 If JDCC deems that the termination of the suspension pursuant to the request set forth in the preceding Paragraph is appropriate, JDCC shall approve such request, designating the effective date in the future. In such event, the termination shall become effective on the designated effective date.

3 If the DVP Participant referred to in Paragraph 1 above fails to obtain the approval set forth in the preceding Paragraph within one (1) year after the day on which the suspension referred to in Paragraph 1 commenced, JDCC may revoke the Clearing Qualification of the DVP Participant by a resolution adopted at a meeting of JDCC's board of directors.

(Article 32 Objections to Disciplinary Measures, etc.)

The proviso to Paragraph 1 and Paragraph 2 of Article 16 shall apply *mutatis mutandis* to the hearing set forth in Article 30, and Article 16, Paragraphs 3 through 5 shall apply *mutatis mutandis* to the measures set forth in Article 30, respectively.

(Article 33 Notice of Measures Taken)

If JDCC has taken measures with respect to a DVP Participant pursuant to Article 30 and Article 31, Paragraph 3, JDCC shall notify the DVP Participants to that effect.

(Article 34 Treatment of Outstanding Obligations of Those which Have Forfeited Clearing Qualification)

If a DVP Participant has forfeited its Clearing Qualification under Article 24, Paragraph 2, the former DVP Participant shall be regarded as a DVP Participant to the extent deemed necessary by JDCC in order to complete the settlement or arrangement of its Outstanding Obligations or for any other purpose.

(Article 35 Recommendations to DVP Participants)

1 If JDCC deems that the operational or financial condition of a DVP Participant is not appropriate in light of JDCC's operation of the Financial Instruments Obligation Assumption Business and Related Business, JDCC may recommend that the DVP Participant take appropriate measures.

2 If (i) JDCC has made the recommendation set forth in the preceding Paragraph, and (ii) it deems necessary, JDCC may request the DVP Participant to submit a report concerning the responsive measures taken.

### Chapter 3 Security Clearing Brokerage Transactions

(Article 36 Transactions Eligible for Security Clearing Brokerage Transactions)

Transactions eligible for the Security Clearing Brokerage Transactions, which may be implemented by the DVP Participants, shall be those set forth in the Items below:

- (1) An exchange of securities and funds carried out to satisfy the obligations arising from a trade of securities;
- (2) A transfer of securities carried out to satisfy the obligation arising from a lending of securities; or
- (3) A transfer of securities or funds carried out to satisfy the obligation arising from a transfer of collateral relating to a lending of securities.

(Article 37 Matters to be Specified when Placing Orders)

If a DVP Participant receives from a customer an order for the Security Clearing Brokerage Transaction set forth in the preceding Article, the DVP Participant shall confirm in advance

that the matters set forth in the following Items are specified by the customer for each Transaction Subject to Clearing:

- (1) The DVP Participant that is the counterparty of the Transaction Subject to Clearing;
- (2) Whether the Subject Securities or the funds are to be received or transferred;
- (3) The issue and amount or par value of the Subject Securities;
- (4) The amount of money to be paid in the Transaction Subject to Clearing (hereinafter referred to as the “Settlement Amount”); and
- (5) The date on which the Subject Securities shall be transferred and the Settlement Amount shall be paid (excluding the holidays; hereinafter referred to as the “Settlement Date”).

(Article 38 Segregated Management Relating to Transactions Subject to Clearing)

When managing the Transactions Subject to Clearing, a DVP Participant shall segregate transactions which are subject to the Security Clearing Brokerage Transactions from the other transactions.

#### Chapter 4 Assumption of Obligations

(Article 39 Request for Assumption of Obligations pursuant to DVP Instruction)

- 1 If a DVP Participant requests JDCC to assume the obligations arising from a Transaction Subject to Clearing in the course of the Financial Instruments Obligation Assumption Business and Related Business conducted by JDCC (excluding the cases set forth in Paragraph 1 of the following Article), with respect to each such Transaction Subject to Clearing, the DVP Participant which owes the obligation to transfer the Subject Securities arising from such Transaction Subject to Clearing (hereinafter referred to as the “Transferring Participant”) and the DVP Participant which becomes the counterparty to such Transaction Subject to Clearing (hereinafter referred to as the “Receiving Participant”) shall submit a request to JDCC for the assumption of the obligations.
- 2 When the preceding Paragraph applies, (i) if the DVP Participant requests JDCC to simultaneously assume (x) the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (2) and (y) the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the

transaction in which funds are to be provided or returned as collateral) relating to such Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (2), or (ii) if the DVP Participant requests JDCC to simultaneously assume (x) the obligation of a DVP Participant arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which securities are to be provided or returned as collateral) and (y) the obligation of another DVP Participant arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which funds are to be returned or provided as collateral), where these Transactions Subject to Clearing are related to a single Transaction Subject to Clearing in which the DVP Participant set forth in (x) above is the counterparty of the DVP Participant set forth in (y) above, the Business Rules shall apply based upon the assumption that such two (2) Transactions Subject to Clearing would be a single Transaction Subject to Clearing.

3 The request to JDCC set forth in Paragraph 1 above shall be submitted by means of a notice to JDCC issued jointly by the Transferring Participant and the Receiving Participant through the PSMS, which sets forth the information set forth in the following Items and which is produced by the PSMS when the events specified in Items (2) and (3) below take place ((i) such notice by which the DVP Participant requests JDCC to assume the obligations arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (1) being hereinafter referred to as the “Trade DVP Instruction,” and (ii) such notice by which the DVP Participant requests JDCC to simultaneously assume (x) the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (2) and (y) the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which funds are to be provided or returned as collateral) relating to such Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (2) being hereinafter referred to as the “Lending DVP Instruction”):

- (1) The information set forth in a) through e) below comprising the terms of the Transaction Subject to Clearing with respect to which JDCC is requested to assume obligations;
  - a) The names of the Transferring Participant and the Receiving Participant which are the parties to the Transaction Subject to Clearing;

- b) The account of the Transferring Participant designated by the Transferring Participant (hereinafter referred to as the “Transferring Participant Account”) and the account of the Receiving Participant designated by the Receiving Participant (hereinafter referred to as the “Receiving Participant Account”) relating to the book-entry transfer order for the Subject Securities;
  - c) The issue and amount or par value of the Subject Securities;
  - d) The Settlement Amount; and
  - e) The Settlement Date;
- (2) The settlement conditions (limited to those which contain the information set forth in a) through e) under the preceding Item) relating to the Transaction Subject to Clearing have been matched by both parties through the PSMS; and
- (3) Each of the parties to the Transaction Subject to Clearing has indicated to the other party that it has no objection to carrying out the exchange of the Subject Securities and the Settlement Amount by the DVP Settlement through the PSMS.
- 4 Notwithstanding the provisions of the preceding Paragraph, if a DVP Participant requests JDCC to assume (i) the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which securities are to be provided or returned as collateral) and (ii) the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which funds are to be returned or provided as collateral) relating to a single Transaction Subject to Clearing, which two (2) Transactions Subject to Clearing are deemed to be a single Transaction Subject to Clearing pursuant to Paragraph 2 above, the request to JDCC set forth in Paragraph 1 above shall be submitted by means of a notice to JDCC issued jointly by the Transferring Participant and the Receiving Participant through the systems conducted by JASDEC that process the operations with respect to the book-entry transfers, etc., of stocks, etc., (such system being hereinafter referred to as the “Stocks, etc., Book-Entry Transfer System”), (i) which sets forth the information set forth in the following Items comprising the terms of the Transactions Subject to Clearing with respect to which JDCC is requested to assume obligations and (ii) which is produced by the Stocks, etc., Book-Entry Transfer System when the Receiving Participant approves a deposit of the Pledged Securities with respect to which the counterparty is designated pursuant to Article 59-2, Paragraph 1 (such securities being hereinafter referred to as the

“Counterparty Designated Pledged Securities”) (such notice being hereinafter referred to as the “Pledged Securities DVP Instruction”):

- (1) The names of the Transferring Participant and the Receiving Participant which are the parties to the Transactions Subject to Clearing;
  - (2) The Transferring Participant Account and the Receiving Participant Account;
  - (3) The issue and amount or par value of the Subject Securities;
  - (4) The Settlement Amount (the amount of the Counterparty Designated Pledged Securities, multiplied by the market value prescribed by JDCC as of the day two (2) days prior to the Settlement Date (excluding holidays; the same shall apply hereinafter to all calculations of the number of days)); and
  - (5) The Settlement Date.
- 5 The cutoff time for JDCC’s acceptance of the Trade DVP Instruction, the Lending DVP Instruction and the Pledged Securities DVP Instruction (hereinafter collectively referred to as the “DVP Instructions”) shall be separately prescribed by JDCC.

(Article 39-2 Request for Assumption of Obligations pursuant to Amount Adjustment Instruction)

- 1 If a DVP Participant requests JDCC to assume the obligation arising from a Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which funds are to be provided or returned as collateral, and excluding the transaction relating to the Lending DVP Instruction and the Pledged Securities DVP Instruction), with respect to each such Transaction Subject to Clearing, the DVP Participant which owes the obligation to pay the funds arising from such Transaction Subject to Clearing (hereinafter referred to as the “Paying Participant”) and the DVP Participant which becomes the counterparty to such Transaction Subject to Clearing (hereinafter referred to as the “Fund-Receiving Participant”) shall submit a request to JDCC for the assumption of the obligation.
- 2 The request to JDCC set forth in the preceding Paragraph shall be submitted by means of a notice to JDCC issued jointly by the Paying Participant and the Fund-Receiving Participant through the Stocks, etc., Book-Entry Transfer System, (i) which sets forth the information set forth in the following Items comprising the terms of the Transaction Subject to Clearing with respect to which JDCC is requested to assume obligation and (ii)



which is produced by the Stocks, etc., Book-Entry Transfer System at the time prescribed by JDCC (such time being hereinafter referred to as the “Time to Accept Amount Adjustment Instruction”) (such notice being hereinafter referred to as the “Amount Adjustment Instruction”):

- (1) The names of the Paying Participant and the Fund-Receiving Participant which are parties to the Transaction Subject to Clearing;
- (2) The Settlement Amount (the amount equal to the sum of the adjustment amounts relating to the Amount Adjustment Data (meaning herein the data comprising the input items prescribed under the Stocks, etc., Book-Entry Transfer System, which becomes the basis for the calculation of the Settlement Amount of the Transaction Subject to Clearing set forth in the preceding Paragraph) approved by the DVP Participant that is the counterparty of the DVP Participant which has entered such Amount Adjustment Data, which amount shall be calculated by the Stocks, etc., Book-Entry Transfer System at the Time to Accept Amount Adjustment Instruction); and
- (3) The Settlement Date.

3 A DVP Participant which has entered Amount Adjustment Data into the Stocks, etc., Book-Entry Transfer System may delete such Amount Adjustment Data until the Time to Accept Amount Adjustment Instruction; provided, however, that once the DVP participant that is the counterparty of the Transaction Subject to Clearing approves the Amount Adjustment Data, the DVP Participant which has entered the Amount Adjustment Data shall have no right to delete the Amount Adjustment Data without an approval of the DVP participant that is the counterparty thereof.

(Article 40 Assumption of Obligations)

1 A Transaction Subject to Clearing set forth in the Items below shall be deemed to be entered into between a Transferring Participant and a Receiving Participant or a Paying Participant and a Fund-Receiving Participant pursuant to their agreement when JDCC receives the DVP Instruction or the Amount Adjustment Instruction with respect to the Transaction Subject to Clearing; provided, however, that such Transaction Subject to Clearing shall become effective when the Transaction Subject to Clearing satisfies the Transfer Conditions (meaning hereinafter through Article 44, the Transfer Conditions as defined in Article 45, Paragraph 1) at or prior to the DVP Book-Entry Cutoff Time or

between the Time to Accept Amount Adjustment Instruction and the Amount Adjustment Cutoff Time on the Settlement Date of the Transaction Subject to Clearing.

- (1) An exchange of securities and funds carried out to satisfy the obligations arising from a trade of securities;
- (2) A transfer of securities carried out to satisfy the obligation arising from a lending of securities; or
- (3) A transfer of securities or funds carried out to satisfy the obligation arising from a transfer of collateral relating to a lending of securities.

2 In the course of the Financial Instruments Obligation Assumption Business and Related Business conducted by JDCC, JDCC shall assume the obligations in the manner described in the following Items, depending upon the classifications described in such Items.

- (1) Assumption of obligations pursuant to DVP Instruction

With respect to each Transaction Subject to Clearing, when such Transaction Subject to Clearing satisfies the Transfer Conditions at or prior to the DVP Book-Entry Cutoff Time on the Settlement Date of the Transaction Subject to Clearing, (i) JDCC shall assume the Transferring Participant's obligation to transfer the Subject Securities to the Receiving Participant, whereby the Transferring Participant is discharged from such obligation, (ii) the Transferring Participant shall simultaneously undertake a new obligation owed to JDCC, which is equivalent to the obligation assumed by JDCC to transfer the Subject Securities, (iii) JDCC shall assume the Receiving Participant's obligation to pay the Settlement Amount to the Transferring Participant in connection with the Transaction Subject to Clearing, whereby the Receiving Participant is discharged from such obligation, and (iv) the Receiving Participant shall simultaneously undertake a new payment obligation owed to JDCC, which is equivalent to the obligation assumed by JDCC to pay the Settlement Amount.

- (2) Assumption of obligation pursuant to Amount Adjustment Instruction

With respect to each Transaction Subject to Clearing, when such Transaction Subject to Clearing satisfies the Transfer Conditions between the Time to Accept Amount Adjustment Instruction and the Amount Adjustment Cutoff Time on the Settlement Date of the Transaction Subject to Clearing, (i) JDCC shall assume the Paying Participant's obligation to pay the Settlement Amount to the Fund-Receiving Participant, whereby the Paying Participant is discharged from such obligation, and

(ii) the Paying Participant shall simultaneously undertake a new payment obligation owed to JDCC, which is equivalent to the obligation assumed by JDCC to pay the Settlement Amount.

3 The DVP Book-Entry Cutoff Time and the Amount Adjustment Cutoff Time referred to in the preceding two (2) Paragraphs shall be separately prescribed by JDCC.

4 Once the obligations arising from a Transaction Subject to Clearing are assumed pursuant to Paragraph 2 above, the relevant DVP Participants shall have no right to claim invalidity, cancellation, rescission or any other defense against JDCC with respect to the Transaction Subject to Clearing or the assumption of the obligations relating thereto.

(Article 41 Cancellation of Request for Assumption of Obligations)

1 A DVP Participant which wishes to cancel the request for the assumption of obligations set forth in Article 39 shall do so by canceling the DVP Settlement Instruction.

2 JDCC shall approve the cancellation of the request for the assumption of obligations only if JDCC receives the cancellation of the DVP Instruction pursuant to an agreement between the Transferring Participant and the Receiving Participant before JDCC assumes the obligations arising from the Transaction Subject to Clearing relating to the relevant DVP Instruction.

3 The cutoff time for JDCC's receipt of the cancellation of the DVP Instruction shall be separately prescribed by JDCC.

4 If JDCC approves the cancellation of the DVP Instruction pursuant to Paragraph 2 above, the Transaction Subject to Clearing relating to such DVP Instruction shall be deemed to have been cancelled pursuant to an agreement between both parties.

5 A DVP Participant shall have no right to cancel the request for the assumption of obligation set forth in Article 39-2, other than the case set forth in Article 39-2, Paragraph 3.

#### Chapter 5 Execution of DVP Book-Entries

(Article 42 Execution of DVP Book-Entries)

1 As of the time when JDCC assumes the obligations arising from the Transaction Subject to Clearing in which a DVP Participant is the Transferring Participant pursuant to Article

40, Paragraph 2, Item (1), the DVP Participant shall perform the new obligation owed to JDCC to transfer the Subject Securities (hereinafter referred to as the “Execution of a DVP Book-Entry”).

2 The Execution of the DVP Book-Entry set forth in the preceding Paragraph shall be carried out in the manner described in the following Items, depending upon the classifications described in such Items, pursuant to a DVP Order (meaning a DVP Order as defined in Article 44, Paragraph 1):

(1) The Execution of the DVP Book-Entry relating to the Trade DVP Instruction and the Lending DVP Instruction;

A book-entry transfer from the Transferring Participant Account to the account of JDCC opened at JASDEC (hereinafter referred to as the “JASEC DVP Account”)

(2) The Execution of the DVP Book-Entry relating to the Pledged Securities DVP Instruction with respect to which the JASDEC Eligible Securities are the Subject Securities;

(i) A record of decrease of the Pledged Securities Balance as defined in Paragraph 1, Item (2) of the following Article included in the balance of the JASDEC DVP Account managed by JDCC as the balance relating to the Transferring Participant Account and

(ii) a record of increase of the Securities-to-be-Received Balance as defined in Paragraph 1, Item (1) of the following Article included in the balance of the JASDEC DVP Account managed by JDCC as the balance relating to the Receiving Participant Account; or

(3) The Execution of the DVP Book-Entry relating to the Pledged Securities DVP Instruction with respect to which Japanese government bonds are the Subject Securities.

(i) A record of decrease of the Pledged Securities Balance as defined in Paragraph 1, Item (2) of the following Article included in the balance of the JGB DVP Account (meaning herein the account of JDCC opened at the Bank of Japan) managed by JDCC as the balance relating to the Transferring Participant and (ii) a record of increase of the Securities-to-be-Received Balance as defined in Paragraph 1, Item (1) of the following Article included in the balance of the JGB DVP Account managed by JDCC as the balance relating to the Receiving Participant.

3 The provisions pertinent to book-entry transfers in the Business Rules shall apply *mutatis*

*mutandis* to the manner described in Items (2) and (3) of the preceding Paragraph.

(Article 43 DVP Account)

1 JDCC shall manage the JASDEC DVP Account in a ledger, where each DVP Participant and its account shall be classified into one of the categories set forth in the following Items, and shall manage the JGB DVP Account in a ledger, where each DVP Participant shall be classified into one of such categories:

(1) Securities-to-be-Received Balance (meaning herein the balance remaining as a result of the Execution of a DVP Book-Entry associated with the assumption of the obligations arising from a Transaction Subject to Clearing, under which the relevant DVP Participant is the Receiving Participant and the relevant account is the Receiving Participant Account, through which a book-entry transfer was implemented to the DVP Account (meaning herein the JASDEC DVP Account and the JGB DVP Account))

(2) Pledged Securities Balance (meaning herein the balance remaining as a result of the deposit by the DVP Participant with JDCC of the Pledged Securities set forth in Article 58, Paragraph 1 in accordance with Article 59)

2 If JDCC receives a request from a DVP Participant to exclude the Pledged Securities from the Transferable Securities Balance (meaning the Transferable Securities Balance as defined in Article 45, Paragraph 1) pursuant to Article 59, Paragraph 1, when the DVP Participant deposits the Pledged Securities with respect to the JASDEC Eligible Securities, JDCC shall manage the Pledged Securities Balance set forth in Item (2) of the preceding Paragraph in the ledger, where the balance subject to the request shall be segregated from the other balance (hereinafter referred to as the “Transferable Pledged Securities Balance”).

(Article 44 DVP Order)

1 If JDCC receives a DVP Instruction and confirms terms thereof, JDCC shall, for the Execution of the DVP Book-Entry relating to such DVP Instruction, immediately place a DVP order with JASDEC on behalf of the Transferring Participant (meaning herein an order for a book-entry transfer placed when the Transaction Subject to Clearing relating to the DVP Instruction satisfies the Transfer Conditions as to the amount of the Subject Securities to be transferred relating to the DVP Instruction) in accordance with the rules

prescribed by JDCC.

2 JDCC shall place an order with JASDEC for a book-entry transfer from the JASDEC DVP Account to the Transferring Participant Account, in addition to the DVP Order set forth in the preceding Paragraph (excluding the DVP Order relating to the Pledged Securities DVP Instruction). In such event, the book-entry transfer order shall be subject to the condition that, immediately before the required entries in the Account Book (meaning herein the Transfer Account Book and Foreign Stock Certificates, Etc., Transfer Account Book), the required entries with respect to the JASDEC DVP Account and the Transferring Participant Account are made in the Account Book on the assumption that the Securities-to-be-Received Completion Order set forth in Article 49, Paragraph 1 and the Pledged Securities Release Order set forth in Article 58, Paragraph 5 were placed by the Transferring Participant in accordance with the sequence and the amount prescribed by JDCC with respect to the amount obtained by subtracting the balance of the Transferring Participant Account from the account balance to be transferred by JASDEC pursuant to the DVP Order as of the time when the Transaction Subject to Clearing relating to the DVP Order satisfies the Transfer Conditions.

3 If JDCC approves the cancellation of a DVP Instruction pursuant to Article 41, Paragraph 2, JDCC shall request JASDEC to cancel the DVP Order relating to the relevant DVP Instruction.

(Article 45 Transfer Conditions)

1 The conditions which must be satisfied with respect to each Transaction Subject to Clearing in order for JDCC to assume the obligations arising from such Transaction Subject to Clearing shall be those set forth in the following Items, depending upon the classifications described in such Items (hereinafter referred to as the "Transfer Conditions"); provided, however, that the Transfer Conditions relating to the assumption of obligation pursuant to the Amount Adjustment Instruction shall be limited to those set forth in Item (2) b) and c) below.

(1) The conditions applicable to the balance of the Subject Securities:

- a) The DVP Order placed relating to the DVP Instruction with respect to such Transaction Subject to Clearing is not subject to a temporary transfer suspension imposed by the Transferring Participant (including where a temporary transfer

- suspension has been released); and
- b) The Transferable Securities Balance (meaning herein the sum of the balances set forth in (a) and (b) below, reduced by the balances set forth in (c) below) of the Transferring Participant is not less than the account balance to be transferred pursuant to the DVP Order relating to the Transaction Subject to Clearing:
    - (a) The balance of the Transferring Participant Account;
    - (b) The Securities-to-be-Received Balance (excluding the balance relating to securities-to-be-received managed by JDCC as collateral for stock lending) and the Transferable Pledged Securities Balance in the Transferring Participant Account set forth in (a) above; and
    - (c) The balance designated by JASDEC as the pooled balance in accordance with the rules prescribed by JASDEC.
- (2) The conditions applicable to risk management (meaning hereinafter the conditions set forth in a) through c) below based on the figures calculated by JDCC with respect to each Transaction Subject to Clearing, which figures shall be calculated based upon the assumption that the obligations are assumed pursuant to Article 40, Paragraph 2):
- a) That the Margin Value of each Transferring Participant is not a negative number;
  - b) That the Margin Value of each Receiving Participant (in the case of the assumption of obligation pursuant to the Amount Adjustment Instruction, Paying Participant; the same shall apply in the following c)) is not a negative number; and
  - c) That the Net Fund Balance set forth in Paragraph 3, Item (2) below of the Receiving Participant is a Net Debit, such Net Debit shall not exceed the Net Debit Cap (meaning the Net Debit Cap as defined in the following Article) on the Settlement Date.
- 2 The Transfer Conditions shall be calculated by JDCC as needed in the period set forth the following Items on the Settlement Date of the Transactions Subject to Clearing, depending upon the classifications described in such Items.
- (1) The Transfer Conditions relating to the assumption of obligations pursuant to the DVP Instruction
 

After JDCC's placement with JASDEC of the DVP Order relating to the DVP Instruction with respect to the Transaction Subject to Clearing until the DVP Book-Entry Cutoff Time

(2) The Transfer Conditions relating to the assumption of obligation pursuant to the Amount Adjustment Instruction

Between the Time to Accept Amount Adjustment Instruction and the Amount Adjustment Cutoff Time with respect to the Transaction Subject to Clearing

3 The “Margin Value” set forth in Paragraph 1 above shall be calculated as needed on each Settlement Date for each DVP Participant, and shall mean the value as of the time of such calculation equal to (i) an amount equal to the amount set forth in Item (1), reduced by the amount set forth in Item (2)a) if Item (2)a) is applicable, or (ii) an amount equal to the amount set forth in Item (1), increased by the amount set forth in Item (2)b) if Item (2)b) is applicable (the same shall apply hereinafter).

(1) Total Assurance Assets Value (meaning herein the sum of the following of each DVP Participant: the sum of the appraisal value of the Securities-to-be-Received Balance (meaning herein the market value prescribed by JDCC as of the day preceding the day on which such appraisal value is calculated, multiplied by the rate prescribed by JDCC), the sum of the appraisal value of the Pledged Securities Balance and the Participants Fund Deposited Balance); and

(2) Net Fund Balance (meaning the figure set forth in a) or b) below, depending upon the classifications described in a) and b) below, which shall be calculated for each DVP Participant by adding together the sum of the Settlement Amount Payment Obligations owed by JDCC under Article 63, Paragraph 1 as a positive number, the sum of the Settlement Amount Payment Obligations under the same Paragraph owed to JDCC as a negative number and the Settlement Facilitation Payment Deposited Balance as a positive number):

a) When the figure calculated above is a negative number, the absolute value of such figure (hereinafter referred to as the “Net Debit”); and

b) When the figure calculated above is a positive number, the amount of such figure (hereinafter referred to as the “Net Credit”).

4 If deemed particularly necessary, such as in the event of extreme market volatility, etc., JDCC may temporarily change the appraisal value of the Securities-to-be-Received Balance and the Pledged Securities Balance set forth in the preceding Paragraph. In such event, JDCC shall promptly notify the DVP Participants to that effect.

5 If the Margin Value of a DVP Participant becomes a negative number as a result of the



temporary change in the appraisal value made by JDCC pursuant to the preceding Paragraph, the DVP Participant shall promptly cause the Margin Value to be zero or a positive number by increasing its Total Assurance Assets Value after such change or decreasing its Net Debit.

(Article 46 Net Debit Cap)

- 1 JDCC shall determine the maximum limit of the Net Debit (hereinafter referred to as the “Net Debit Cap”) for each DVP Participant and for each Settlement Date, which will be applicable in the event that such DVP Participant’s Net Fund Balance is a Net Debit.
- 2 JDCC shall determine the Net Debit Cap set forth in the preceding Paragraph by prescribing applicable rules.

(Article 47 Notice of DVP Book-Entry Execution)

- 1 JDCC shall provide notice of (i) the details of the obligations assumed by JDCC as a result of a Transaction Subject to Clearing satisfying the Transfer Conditions and (ii) the result of the Execution of the DVP Book-Entry to the Transferring Participant and the Receiving Participant or to the Paying Participant and the Fund-Receiving Participant of the relevant Transaction Subject to Clearing.
- 2 The DVP Participants shall confirm the contents of the notice set forth in the preceding Paragraph if they receive such a notice.

## Chapter 6 Completion of DVP Book-Entries

(Article 48 Completion of DVP Book-Entries)

- 1 The transfer of the Subject Securities to a Receiving Participant relating to the obligation assumed by JDCC pursuant to Article 40, Paragraph 2, Item (1) (hereinafter referred to as the “Completion of DVP Book-Entry”) shall be made subject to the satisfaction of one of the conditions set forth in the following Items (hereinafter referred to as the “Completion Condition”) with respect to the Receiving Participant, if JDCC confirms the satisfaction of such condition:
  - (1) If such Receiving Participant becomes a Participant Payee (meaning a Participant Payee as defined in Article 66, Paragraph 2) (including the case where its Participant

Settlement Amount becomes zero); or

(2) If (i) such Receiving Participant becomes a Participant Payer (meaning a Participant Payer as defined in Article 66, Paragraph 2), and (ii) such Participant Payer performs the payment obligation relating to the Participant Settlement Amount pursuant to Article 66, Paragraph 2.

2 The Completion of DVP Book-Entry set forth in the preceding Paragraph shall be carried out by a book-entry transfer from the DVP Account to the Receiving Participant Account with respect to the Securities-to-be-Received Balance of each relevant Receiving Participant at the time when the Completion Condition is satisfied. In such event, JDCC shall place the relevant book-entry transfer orders with JASDEC or the Bank of Japan.

(Article 49 Securities-to-be-Received Completion Order)

1 Notwithstanding the provisions of the preceding Article, each Receiving Participant has the right to submit to JDCC an order for the Completion of DVP Book-Entry to the Receiving Participant Account (hereinafter referred to as the “Securities-to-be-Received Completion Order”) up to the amount of the Securities-to-be-Received Balance of such Receiving Participant. In such event, JDCC shall carry out the Completion of DVP Book-Entry only if the Margin Value of such Receiving Participant does not become a negative number upon the Completion of DVP Book-Entry pursuant to the Securities-to-be-Received Completion Order.

2 The Completion of DVP Book-Entry pursuant to a Securities-to-be-Received Completion Order shall be carried out by a book-entry transfer from the DVP Account to the Receiving Participant Account with respect to the amount relating to the Securities-to-be-Received Completion Order. In such event, JDCC shall place the relevant book-entry transfer orders with JASDEC or the Bank of Japan.

(Article 50 Appropriation Order)

1 JDCC shall, when an order for (i) a book-entry transfer from the account of a DVP Participant to another account (excluding the JASDEC DVP Account), or (ii) a delivery of securities corresponding to the balance of securities in an account (hereinafter collectively referred to as the “Transfer/Delivery Order”) is placed with JASDEC, place an order with JASDEC for a book-entry transfer from the JASDEC DVP Account to the relevant account

of the relevant DVP Participant (hereinafter referred to as the “Appropriation Order”).

- 2 The Appropriation Order set forth in the preceding Paragraph shall be subject to the conditions (i) that the Transfer/Delivery Order satisfies the condition relating to the balance of the Subject Securities, and (ii) that, immediately before the required entries relating to the Transfer/Delivery Order are made in the Account Book, the required entries with respect to the JASDEC DVP Account and the account of the relevant DVP Participant are made in the Account Book on the assumption that the Securities-to-be-Received Completion Order and the Pledged Securities Release Order set forth in Article 58, Paragraph 5 were placed by the relevant DVP Participant in accordance with the sequence and the amount prescribed by JDCC, if the Margin Value of each applicable DVP Participant would not become a negative number upon the book-entry transfer from the JASDEC DVP Account to the account of such DVP Participant, with respect to the amount obtained by subtracting the balance of the account of such DVP Participant from the amount of the account balance to be transferred or delivered, by JASDEC pursuant to the Transfer/Delivery Order.
- 3 The provisions of Article 45, Paragraph 1, Item (1) shall apply *mutatis mutandis* to the condition relating to the balance of the Subject Securities set forth in the preceding Paragraph. In such event, the words, “DVP Order,” shall be replaced with “Transfer/Delivery Order”; the words, “Transferring Participant,” shall be replaced with “DVP Participant”; and the words, “Transferring Participant Account,” shall be replaced with “account of the DVP Participant.”

#### Chapter 7 Participants Fund

(Article 51 Required Participants Fund Amount)

- 1 JDCC shall determine the amount of the Participants Fund which a DVP Participant is required to deposit with JDCC pursuant to Article 18 (hereinafter referred to as the “Required Participants Fund Amount”) by prescribing applicable rules.
- 2 The Required Participants Fund Amount set forth in the preceding Paragraph shall, except where JDCC determines otherwise, be calculated as of the last day of every month (if such day is a holiday, the immediately preceding day which is not a holiday), which shall be the base date, for each DVP Participant, and shall become applicable on and from

the day which is six (6) days after such base date (hereinafter referred to as the “Application Date”).

3 A DVP Participant shall, if its Participants Fund Deposited Balance as defined in Paragraph 1 of the following Article on the Application Date would be less than the Required Participants Fund Amount, additionally deposit an amount not less than the amount of such deficit with JDCC as the Participants Fund before 2 p.m. on the day preceding the Application Date.

4 A DVP Participant may deposit an amount of money greater than the Required Participants Fund Amount with JDCC as the Participants Fund.

(Article 52 Claim for Refund of Participants Fund, etc.)

1 A DVP Participant shall have the right to claim a refund of money from JDCC in an amount equal to the amount actually deposited as its Participants Fund (if JDCC has offset the Participants Fund against the DVP Participant’s obligations owed to JDCC pursuant to Article 85, the amount shall be reduced by the amount of such offset; hereinafter referred to as the “Participants Fund Deposited Balance”).

2 When the preceding Paragraph applies, the DVP Participant shall, if its Participants Fund Deposited Balance becomes less than its Required Participants Fund Amount, additionally deposit an amount not less than the amount of such deficit with JDCC as the Participants Fund on or before the date designated by JDCC.

(Article 53 Refund of Voluntary Participants Fund Deposit)

1 A DVP Participant shall have the right to claim a refund from JDCC of an amount up to the amount of its Participants Fund Deposited Balance in excess of its Required Participants Fund Amount (hereinafter referred to as the “Voluntary Participants Fund Deposit”).

2 If (i) the claim set forth in the preceding Paragraph is made, and (ii) deemed particularly necessary, JDCC may, suspend the refund of some or all of the relevant DVP Participant’s Voluntary Participants Fund Deposit.

(Article 54 Refund of Participants Fund upon Forfeiture of Clearing Qualification)

JDCC shall, if a DVP Participant forfeits its Clearing Qualification, refund the Participants

Fund Deposited Balance on the date designated by JDCC, which shall be on or after the day on which the Clearing Qualification is forfeited; provided, however, that JDCC may, if there remains unperformed obligations owed to JDCC by the person which forfeited its Clearing Qualification or otherwise deemed necessary by JDCC, suspend the refund of the Participants Fund Deposited Balance until the cause of such suspension is eliminated.

(Article 55 Management and Investment of Participants Fund)

- 1 JDCC shall manage the Participants Fund in a ledger, where the Participants Fund is segregated from the other assets, and each DVP Participant's Participants Fund is separated.
- 2 JDCC shall invest the Participants Fund using the methods set forth in the following Items:
  - (1) Holding Japanese government bonds or municipal bonds;
  - (2) Deposit with the Banks; and
  - (3) Money trust with banks engaged in trust business.
- 3 Profits and losses arising from the investment pursuant to the preceding Paragraph (including necessary investment expenses and fees) shall belong to JDCC; provided, however, that the foregoing shall not apply if JDCC deems it appropriate.

(Article 56 Application of Funds Relating to Participants Fund)

- 1 Notwithstanding the provisions of the preceding Article, JDCC may take the actions set forth in the following Items with the money deposited as the Participants Fund and the money earned from the investment pursuant to Paragraph 2 of the preceding Article:
  - (1) Refund of the Participants Fund Deposited Balance set forth in Articles 53 and 54;
  - (2) Performance of JDCC's payment obligations relating to the Participant Settlement Amount and other obligations owed by JDCC to the DVP Participants under the Business Rules (excluding the obligation set forth in the preceding Item); and
  - (3) Repayment of the loans procured from the Banks pursuant to Article 69, Paragraph 1.
- 2 If (i) JDCC has taken the action set forth in Item (2) or (3) of the preceding Paragraph, and (ii) the balance relating to the investment pursuant to Paragraph 2 of the preceding Article becomes less than the total of the Participants Fund Deposited Balance of all of the DVP Participants, JDCC shall restore the balance to an amount not less than the total

of the Participants Fund Deposited Balance of all of the DVP Participants with (i) the money obtained by disposing the Securities-to-be-Received Balance or the Pledged Securities Balance pursuant to Article 86, (ii) the money paid as the Default Compensation Charge pursuant to Article 87 or the Extra Default Compensation Charge pursuant to Article 88, or (iii) the money procured by other means.

(Article 57 Matters to be Prescribed by Other Rules)

The necessary matters relating to the Participants Fund, other than the provisions set forth in this Chapter, shall be prescribed by JDCC elsewhere.

### Chapter 8 Pledged Securities

(Article 58 Deposit of Pledged Securities)

- 1 ADVP Participant may deposit the Pledged Securities with JDCC as securities that secure the performance of its obligations owed to JDCC.
- 2 The types of the Pledged Securities set forth in the preceding Paragraph shall be the JASDEC Eligible Securities and Japanese government bonds.
- 3 The appraisal value of the Pledged Securities Balance set forth in Article 45, Paragraph 3, Item (1) shall be equal to the market value prescribed by JDCC as of the day preceding the day on which such appraised value is calculated, multiplied by the rate prescribed by JDCC.
- 4 JDCC may dispose of the deposited Pledged Securities.
- 5 A DVP Participant may, up to the Pledged Securities Balance of the DVP Participant (excluding the balance relating to the Counterparty Designated Pledged Securities), place an order with JDCC for the return of the securities of the same type and the same amount as such Pledged Securities Balance (hereinafter referred to as the “Pledged Securities Release Order”). In such event, JDCC shall carry out the return only if the Margin Value of the DVP Participant does not become a negative number upon the return pursuant to the Pledged Securities Release Order.

(Article 59 Procedures for Depositing and Returning Pledged Securities)

- 1 A deposit of the Pledged Securities or a return of the Pledged Securities Balance

(collectively referred to as the “Deposit and Return of Pledged Securities” in the following Paragraph) with respect to the JASDEC Eligible Securities which constitute the Pledged Securities shall be carried out by a book-entry transfer between the account of the DVP Participant and the JASDEC DVP Account. In such event, such book-entry transfer shall be carried out in the manner described in the following Items:

- (1) For a deposit of the Pledged Securities, the DVP Participant shall place an order with JASDEC for a book-entry transfer, designating the classification of the DVP Participant’s account relevant to the Pledged Securities Balance in the JASDEC DVP Account (hereinafter referred to as the “Pledged Securities Transfer Order”). In such event, when placing the Pledged Securities Transfer Order, the DVP Participant may request JDCC to exclude the relevant Pledged Securities from the Transferable Securities Balance (if the Counterparty Designated Pledged Securities are deposited, the DVP Participant shall be deemed to have requested JDCC to exclude the relevant Counterparty Designated Pledged Securities from the Transferable Securities Balance.
- (2) For a return of the Pledged Securities Balance, JDCC shall place an order with JASDEC for a book-entry transfer pursuant to the Pledged Securities Release Order set forth in Paragraph 5 of the preceding Article.

2 A Deposit and Return of Pledged Securities with respect to the Pledged Securities, which are Japanese government bonds, shall be carried out in accordance with the rules prescribed by JDCC.

(Article 59-2 Deposit of Pledged Securities Designating Counterparty)

- 1 If a DVP Participant intends to transfer the Pledged Securities set forth in Article 58, Paragraph 1 by the DVP Settlement to the DVP Participant that is the counterparty of the Transaction Subject to Clearing set forth in Article 4, Paragraph 1, Item (3) (limited to the transaction in which securities are transferred as collateral), when depositing the Pledged Securities with JDCC, the DVP Participant shall designate the counterparty in advance, and shall obtain an approval of such DVP Participant that is the counterparty thereof.
- 2 If (i) the Counterparty Designated Pledged Securities has been deposited and (ii) the Transaction Subject to Clearing has not satisfied the Transfer Conditions at or prior to the DVP Book-Entry Cutoff Time, JDCC shall cancel the deposit of the Pledged Securities

upon the Completion of DVP Book-Entry relating to the DVP Participant (in the event that all of the Transactions Subject to Clearing relating to a single Settlement Date have not satisfied the Transfer Conditions, at the time when JDCC would confirm the satisfaction of the Completion Conditions if any of such Transactions Subject to Clearing satisfied the Transfer Conditions).

(Article 60 Matters to be Prescribed by Other Rules)

The necessary matters relating to the Pledged Securities, other than the provisions set forth in this Chapter, shall be prescribed by JDCC elsewhere.

### Chapter 9 Clearing Deposit

(Article 61 Clearing Deposit)

The Participants Fund set forth in Article 18 and the Pledged Securities set forth in Article 58, which are deposited by the DVP Participants in order to ensure the performance of their obligations owed to JDCC, shall constitute the Clearing Deposit prescribed in Article 156-11 of the Law.

(Article 62 Management of Clearing Deposit)

JDCC shall manage the Clearing Deposit set forth in the preceding Article in a ledger, where the Clearing Deposit is segregated from the other assets, and each DVP Participant's Clearing Deposit is separated.

### Chapter 10 Settlement of Funds

#### Section 1 Settlement Amount Payment Obligation

(Article 63 Settlement Amount Payment Obligation)

1 With respect to each DVP Participant, JDCC shall calculate the balance of (i) the payment obligations relating to the Settlement Amount which JDCC owes to the DVP Participant as a result of JDCC's assumption of obligations from the other DVP Participants, whereby the other DVP Participants are discharged from such obligations, and (ii) the



payment obligations equivalent to the payment obligations relating to the Settlement Amount which the DVP Participant newly owes to JDCC, pursuant to Article 40, Paragraph 2 (such payment obligations being hereinafter collectively referred to as the “Settlement Amount Payment Obligations”), by netting the amounts of such Settlement Amount Payment Obligations each time when JDCC or the DVP Participant owes a Settlement Amount Payment Obligation. In such event, the amount of the obligations offset through the netting calculation shall be deemed automatically satisfied and the remaining balance shall be replaced with a single Settlement Amount Payment Obligation for the balance between the DVP Participant and JDCC.

- 2 JDCC shall prepare a Fund Recording Ledger for each DVP Participant to manage the Settlement Amount Payment Obligations and (i) if the DVP Participant owes a Settlement Amount Payment Obligation to JDCC, JDCC shall debit its Fund Recording Ledger, and (ii) if JDCC owes a Settlement Amount Payment Obligation to the DVP Participant, JDCC shall credit its Fund Recording Ledger.

#### Section 2 Settlement Facilitation Payment

(Article 64 Settlement Facilitation Payment)

- 1 A DVP Participant may deposit the Settlement Facilitation Payment with JDCC as money to ensure the performance of its payment obligation relating to the Participant Settlement Amount and other obligations owed to JDCC between 9 a.m. and the Final DVP Book-Entry Cutoff Time (meaning herein the latest DVP Book-Entry Cutoff Time on each Settlement Date) on each Settlement Date.
- 2 A DVP Participant may, with respect to the balance of its Settlement Facilitation Payment deposited with JDCC (hereinafter referred to as the “Settlement Facilitation Payment Deposited Balance”), place an order for the return of some or all of the Settlement Facilitation Payment Deposited Balance (hereinafter referred to as the “Settlement Facilitation Payment Return Order”) between 9 a.m. and the Final DVP Book-Entry Cutoff Time on each Settlement Date. In such event, JDCC shall carry out the return only if (i) the Margin Value of the relevant DVP Participant does not become a negative number upon the return pursuant to the Settlement Facilitation Payment Return Order, and (ii) the Net Debit does not exceed the Net Debit Cap of the DVP Participant.

3 JDCC's obligation to return the Settlement Facilitation Payment Deposited Balance at the Final DVP Book-Entry Cutoff Time shall be deemed to be fully performed by the calculation of the Participant Settlement Amount set forth in Article 66, Paragraph 1.

4 JDCC shall, in order to manage the balance of the Settlement Facilitation Payment, with respect to the Fund Recording Ledger of each DVP Participant which has been prepared pursuant to Paragraph 2 of the preceding Article, (i) credit the Fund Recording Ledger if JDCC receives a deposit of the Settlement Facilitation Payment from the DVP Participant, and (ii) debit the Fund Recording Ledger if JDCC returns the Settlement Facilitation Payment to the DVP Participant.

(Article 65 Procedures for Depositing and Returning Settlement Facilitation Payment)

1 A deposit of the Settlement Facilitation Payment or a return of the Settlement Facilitation Payment Deposited Balance (excluding in this Paragraph and the following Paragraph any return of the Settlement Facilitation Payment Deposited Balance at the Final DVP Book-Entry Cutoff Time set forth in Paragraph 3 of the preceding Article) shall be carried out by JDCC through a book-entry transfer between the DVP Participant's current account relating to the Bank of Japan Current Account Transactions (limited to a current account of the headquarters or a branch office designated by the DVP Participant to JDCC in advance; hereinafter simply referred to as the "Current Account of the DVP Participant") and JDCC's current account relating to the Bank of Japan Current Account Transactions (hereinafter simply referred to as the "Current Account of JDCC").

2 Notwithstanding the provisions of the preceding Paragraph, a deposit of the Settlement Facilitation Payment or a return of the Settlement Facilitation Payment Deposited Balance relating to a Settling Bank Appointor (meaning hereinafter through Article 68, Paragraph 4, a Settling Bank Appointor as defined in Article 73, Paragraph 1) shall be carried out by a book-entry transfer between the Settling Bank's current account relating to the Bank of Japan Current Account Transactions (limited to a current account of the headquarters or a branch office of the Settling Bank appointed by the Settling Bank Appointor, which the Settling Bank designates to JDCC in advance; hereinafter simply referred to as the "Current Account of the Settling Bank") and the Current Account of JDCC.

3 The matters necessary for the book-entry transfers set forth in the preceding two (2)

Paragraphs shall be prescribed by JDCC.

Section 3 Settlement of Participant Settlement Amount

(Article 66 Calculation of Participant Settlement Amount)

- 1 With respect to each DVP Participant, JDCC shall, at the Final DVP Book-Entry Cutoff Time on the Settlement Date, calculate the balance of (i) the remaining balance of the Settlement Amount Payment Obligation between the DVP Participant and JDCC at that time, and (ii) the Settlement Facilitation Payment Deposited Balance of the DVP Participant, by netting such amounts (the amount of such balance being hereinafter referred to as the “Participant Settlement Amount”). In such event, the amount offset through the netting calculation shall be deemed automatically satisfied and replaced with a single claim or obligation for the balance between the DVP Participant and JDCC.
- 2 (i) The DVP Participant which comes to owe a single obligation for the remaining balance with respect to the Participant Settlement Amount pursuant to the preceding Paragraph (hereinafter referred to as the “Participant Payer”) shall perform the payment obligation relating to the Participant Settlement Amount owed to JDCC, and (ii) JDCC shall perform the payment obligation relating to the Participant Settlement Amount owed to the DVP Participant which comes to have a single claim for the remaining balance with respect to the Participant Settlement Amount pursuant to the preceding Paragraph (hereinafter referred to as the “Participant Payee”).
- 3 If JDCC calculates the Participant Settlement Amount with respect to each DVP Participant pursuant to Paragraph 1, JDCC shall notify the DVP Participant to that effect immediately.

(Article 67 Fund Settlement Cutoff Time)

- 1 The payment obligation relating to the Participant Settlement Amount shall be performed in accordance with the rules prescribed by JDCC before 3:10 p.m. in the case of a payment from the Participant Payer to JDCC and before 3:30 p.m. in the case of a payment from JDCC to the Participant Payee.
- 2 Notwithstanding the provisions of the preceding Paragraph, with respect to (i) a Settling Bank Appointor or (ii) a DVP Participant which is also a Settling Bank and which

designates the payment and receipt of the Settling Bank Settlement Amount calculated in accordance with the method set forth in Article 74, Paragraph 1 (hereinafter collectively referred to as the “Settling Bank Appointor Participants” in this Article and the following Article), (i) if the Settling Bank Settlement Amount of the Settling Bank relating to a Settling Bank Appointor Participant (limited, in this Article and the following Article, to the Settling Bank Settlement Amount which is calculated in accordance with the method designated by each Settling Bank in advance, and the calculation of which Settlement Bank Settlement Amount contains the Participant Settlement Amount of the Settling Bank Appointor Participant) is a Net Debit, such Settling Bank Appointor Participant shall cause the Settling Bank to pay the Settling Bank Settlement Amount to JDCC before 3:10 p.m., and (ii) if the Settling Bank Settlement Amount of the Settling Bank relating to a Settling Bank Appointor Participant is a Net Credit, JDCC shall pay the Settling Bank Settlement Amount to the Settling Bank before 3:30 p.m., in each case in accordance with the rules prescribed by JDCC.

(Article 68 Procedures for Performing Payment Obligations Relating to Participant Settlement Amount)

- 1 The payment obligation relating to the Participant Settlement Amount between a DVP Participant and JDCC set forth in Article 66, Paragraph 2 shall be performed, with respect to the Participant Settlement Amount, (i) through a book-entry transfer from the Current Account of the DVP Participant to the Current Account of JDCC if the DVP Participant is a Participant Payer, and (ii) through a book-entry transfer from the Current Account of JDCC to the Current Account of the DVP Participant if the DVP Participant is a Participant Payee.
- 2 Notwithstanding the provisions of the preceding Paragraph, the payment obligation relating to the Participant Settlement Amount between a Settling Bank Appointor Participant and JDCC shall be performed in accordance with the following:
  - (1) If the Settling Bank Appointor Participant is a Participant Payer, it shall be carried out in accordance with a) or b) below.
    - a) If the Settling Bank Settlement Amount of the Settling Bank relating to the Settling Bank Appointor Participant is a Net Debit, through a book-entry transfer of the Settling Bank Settlement Amount from the Current Account of the Settling Bank to

the Current Account of JDCC.

- b) If the Settling Bank Settlement Amount of the Settling Bank relating to the Settling Bank Appointor Participant is a Net Credit, through a book-entry transfer of the Settling Bank Settlement Amount from the Current Account of JDCC to the Current Account of the Settling Bank.
- (2) If the Settling Bank Appointor Participant is a Participant Payee, it shall be carried out in accordance with a) or b) below.
- a) If the Settling Bank Settlement Amount of the Settling Bank relating to the Settling Bank Appointor Participant is a Net Debit, through a book-entry transfer of the Settling Bank Settlement Amount from the Current Account of the Settling Bank to the Current Account of JDCC.
  - b) If the Settling Bank Settlement Amount of the Settling Bank relating to the Settling Bank Appointor Participant is a Net Credit, through a book-entry transfer of the Settling Bank Settlement Amount from the Current Account of JDCC to the Current Account of the Settling Bank.
- 3 At the time when a book-entry transfer set forth in the preceding two (2) Paragraphs is carried out, the payment obligation relating to the Participant Settlement Amount between the DVP Participant or the Settling Bank Appointor Participant and JDCC relating to such book-entry transfer shall be deemed to be performed and extinguished.
- 4 The provisions of the preceding Paragraph shall apply *mutatis mutandis* (i) if (a) the Settling Bank Settlement Amount becomes zero, and (b) JDCC confirms the receipt of the approval notice from the Settling Bank set forth in Article 79, Paragraph 2 with respect to all of the Settling Bank Appointors relating to the Settling Bank Settlement Amount, and (ii) if (a) the Settling Bank has issued the disapproval notice set forth in Article 79, Paragraph 2 or the Additional Disapproval Notice set forth in Article 79, Paragraph 3, and (b) JDCC issues the notice of the Settling Bank Settlement Amount recalculated by JDCC pursuant to Article 79, Paragraph 4.
- 5 The matters necessary for the book-entry transfers set forth in Paragraphs 1 and 2 above shall be prescribed by JDCC.

#### Section 4 Procurement of Funds in the Case of Fund Settlement Default

(Article 69 Procurement of Funds in the Case of Fund Settlement Default)

1 If a Participant Payer fails to perform some or all of the payment obligation relating to the Participant Settlement Amount, JDCC shall satisfy the payment obligations owed to the Participant Payees pursuant to Paragraph 1 or 2 of the preceding Article by applying the funds procured using any of the methods set forth in the following Items or any other fund procurement method deemed appropriate by JDCC:

- (1) The Participants Fund deposited pursuant to Article 18 and the investment pursuant to Article 55, Paragraph 2;
- (2) Money loans procured from the Banks; and
- (3) Disposition or pledge of some or all of the Securities-to-be-Received Balance and the Pledged Securities Balance relating to the relevant Participant Payer (hereinafter referred to as the “Defaulting Participant”).

2 When the preceding Paragraph applies, JDCC’s payment set forth in Article 67, Paragraph 1 or 2, shall be made at or prior to the time on the Settlement Date determined by JDCC on a case-by-case basis.

3 Notwithstanding the provisions of the preceding Paragraph, when JDCC deems that it will be difficult to procure some or all of the funds necessary to perform the payment obligation owed to the Participant Payee at or prior to the time determined pursuant to the preceding Paragraph even if funds are procured pursuant to Paragraph 1 above, JDCC may determine another date and time for the payment by JDCC.

4 When the preceding three (3) Paragraphs apply, JDCC shall promptly notify the DVP Participants to that effect.

(Article 70 Commitment Line Bank)

1 For the purpose of procuring funds using the method set forth in Paragraph 1, Item (2) of the preceding Article, JDCC shall select one or more Banks and enter into an agreement with each of such Banks, pursuant to which funds in amounts necessary for JDCC’s payments to the Participant Payees shall be provided upon JDCC’s request (hereinafter referred to as the “Commitment Line Agreement”) (such Banks being hereinafter referred to as the “Commitment Line Banks”).

2 If JDCC receives funds from a Commitment Line Bank pursuant to the Commitment Line Agreement, the Defaulting Participant shall pay to JDCC an amount equal to the interest

on the funds provided to JDCC, corresponding to its fund settlement default amount.

3 JDCC shall make repayments to the Commitment Line Banks which provided funds pursuant to the Commitment Line Agreements by applying some or all of the funds obtained through (i) the Defaulting Participant's performance of the payment obligation relating to the Participant Settlement Amount, (ii) disposition of the Securities-to-be-Received Balance or the Pledged Securities Balance relating to the Defaulting Participant pursuant to Article 86, or (iii) the payment of the Default Compensation Charge pursuant to Article 87 or the Extra Default Compensation Charge pursuant to Article 88.

(Article 71 Matters to be Prescribed by Other Rules)

The necessary matters relating to the procurement of funds in the case of a fund settlement default, other than the provisions set forth in this Section, shall be prescribed by JDCC elsewhere.

#### Chapter 11 Settling Banks

(Article 72 Functions of Settling Bank)

1 A DVP Participant may appoint a Settling Bank as its agent which pays and receives the funds described in the following Items on behalf of the DVP Participant:

- (1) Payment to and receipt from JDCC of the Participant Settlement Amount;
- (2) Deposit of the Settlement Facilitation Payment and return of the Settlement Facilitation Payment Deposited Balance; and
- (3) Deposit of the Participants Fund and refund of the Participants Fund Deposited Balance.

2 Only the Banks are eligible to be appointed as the Settling Banks.

(Article 73 Execution of Settling Bank Agreement)

1 A DVP Participant which appoints a Bank as its Settling Bank (hereinafter referred to as the "Settling Bank Appointor") shall execute a Settling Bank Agreement with the Settling Bank appointed by such Settling Bank Appointer, which stipulates that the Settling Bank Appointor entrusts the Settling Bank to carry out, and the Bank agrees to carry out, the payments and receipts of funds relating to the Participant Settlement Amount between

JDCC and the DVP Participant by payments and receipts of the Settling Bank Settlement Amount calculated in accordance with one of the methods set forth in the Items under the following Article and designated for each Settling Bank in advance, and other matters prescribed by JDCC.

- 2 The Settling Bank Agreement set forth in the preceding Paragraph shall become effective upon JDCC's approval set forth in Article 76, Paragraph 1.

(Article 74 Settling Bank Settlement Amount)

In the Settling Bank Agreement set forth in the preceding Article, the Settling Bank shall designate for each Settling Bank, as the method of performing the entrusted business with respect to the payments and receipts of the Participant Settlement Amount under the Settling Bank Agreement, that it shall pay and receive the Settling Bank Settlement Amount calculated in accordance with one of the methods set forth in the following Items:

- (1) The net balance of the Participant Settlement Amounts of all the Settling Bank Appointors which have appointed the particular Bank as the Settling Bank and the Participant Settlement Amount of such Settling Bank;
- (2) The net balance of the Participant Settlement Amounts of all the Settling Bank Appointors which have appointed the particular Bank as the Settling Bank; or
- (3) The Participant Settlement Amount of a particular Settling Bank Appointor which has appointed the particular Bank as the Settling Bank.

(Article 75 Application for Appointment of Settling Bank)

- 1 A DVP Participant which intends to appoint a Settling Bank pursuant to Article 72 (hereinafter referred to as the "Participant Applying for Settling Bank Appointment") shall submit to JDCC an application that sets forth the matters prescribed by JDCC (hereinafter referred to as the "Settling Bank Appointment Application"), which is jointly signed by the Bank which wishes to be appointed as the Settling Bank (hereinafter referred to as the "Settling Bank Applicant").
- 2 The Settling Bank Agreement set forth in Article 73 and other documents deemed necessary by JDCC must be attached to the Settling Bank Appointment Application.

(Article 76 Criteria for Approval of Settling Bank)



1 (i) If JDCC determines that the Settling Bank Applicant for which a Settling Bank Appointment Application has been submitted pursuant to Paragraph 1 of the preceding Article satisfies the matters set forth in the following Items, or (ii) if the Settling Bank Applicant has already been approved as the Settling Bank of other Settling Bank Appointors, JDCC shall approve that (i) the Participant Applying for Settling Bank Appointment shall become a Settling Bank Appointor, and cause the Settling Bank Applicant as the Settling Bank to carry out the payments to, and receipts from, JDCC of funds described in the Items under Article 72, Paragraph 1 to be carried out by, and (ii) the Settling Bank Applicant as the Settling Bank shall conduct the Settling Bank's business with JDCC:

(1) Matters set forth in Article 10, Paragraph 1, Item (2), B) (excluding (e));

(2) That the Settling Bank Applicant (i) has a current account with the Bank of Japan, (ii) is an online user of the Bank of Japan Financial Network System, (iii) is able to carry out the payments and receipts of funds in an amount equal to the Participant Settlement Amount with the Settling Bank Appointor efficiently, and (iv) otherwise has the operational capability sufficient to conduct the Settling Bank's business reliably; and

(3) That the Settling Bank Applicant has an appropriate internal system for business operation for compliance with the Laws and Regulations, dispositions imposed by administrative agencies pursuant to the Laws and Regulations, the Business Rules (limited to the provisions pertinent to the Settling Banks), the Settling Bank Agreement, and the Fund Settlement Handling Agency Agreement.

2 If the approval set forth in the preceding Paragraph is granted, the date on which the business as a Settling Bank may be started shall be designated.

(Article 77 Completion of Procedures for Appointing Settling Bank)

1 If JDCC approves the appointment of a Settling Bank pursuant to Paragraph 1 of the preceding Article, JDCC shall execute the Fund Settlement Handling Agency Agreement with the relevant Settling Bank Applicant on or before the day preceding the date designated by JDCC pursuant to Paragraph 2 of the preceding Article.

2 If the Settling Bank Applicant has not to complete the procedure set forth in the preceding Paragraph on or before the day preceding the date designated by JDCC pursuant to

Paragraph 2 of the preceding Article, the relevant application for the Settling Bank appointment shall be deemed to have been withdrawn.

3 If the Settling Bank Applicant has completed the procedure set forth in Paragraph 1 above, JDCC shall approve the commencement of the business as a Settling Bank from the date designated by JDCC pursuant to the preceding Paragraph.

(Article 78 Cancellation of Settling Bank Agreement, etc.)

1 An application shall be submitted to JDCC in advance and in accordance with the rules prescribed by JDCC for the cancellation of a Settling Bank Agreement, change in the calculation method of the Settling Bank Settlement Amount, or any other change in the matters stipulated in the Settling Bank Agreement, all of which shall be subject to the approval of JDCC.

2 The provisions of the preceding Paragraph shall apply *mutatis mutandis* to the Fund Settlement Handling Agency Agreement.

3 Notwithstanding the provisions of the preceding two (2) Paragraphs, the Settling Bank Appointor and its Settling Bank shall promptly notify JDCC upon the termination of the Settling Bank Agreement.

(Article 79 Notice of Participant Settlement Amount to Settling Banks, etc.)

1 JDCC shall provide notice of the matters described in the following Items to each Settling Bank promptly after the Final DVP Book-Entry Cutoff Time:

(1) The Participant Settlement Amount of each Settling Bank Appointor that has appointed the Settling Bank as its Settling Bank; and

(2) The Settling Bank Settlement Amount calculated by JDCC using the method previously designated by the Settling Bank.

2 The Settling Bank that receives the notice set forth in the preceding Paragraph shall issue either an approval notice or a disapproval notice to JDCC, at or prior to the time prescribed by JDCC on each Settlement Date, with respect to the Participant Settlement Amount of each Settling Bank Appointor that has appointed the Settling Bank as its Settling Bank, in accordance with the Settling Bank Agreement with such Settling Bank Appointor; provided, however, that the Settling Bank shall be deemed to have issued an approval notice with respect to the Settling Bank Appointor if the Settling Bank has

completed the book-entry transfer of the Settling Bank Settlement Amount relating to such Settling Bank using the method set forth in Article 68, Paragraph 2, without actually issuing the approval notice.

3 (i) If the Settling Bank Agreement between the Settling Bank and the relevant Settling Bank Appointor terminates, or (ii) if any other relevant event stipulated in the Settling Bank Agreement occurs, after the approval notice set forth in the preceding Paragraph is issued and before the payment obligation relating to the Participant Settlement Amount between the Settling Bank Appointor and JDCC relating to the relevant approval notice is extinguished pursuant to Article 68, Paragraph 3 or 4, the Settling Bank shall provide JDCC with notice to that effect (hereinafter referred to as the “Additional Disapproval Notice”).

4 If JDCC receives a disapproval notice or an Additional Disapproval Notice, JDCC shall promptly recalculate the Settling Bank Settlement Amount relating to the Settling Bank, excluding the Participant Settlement Amount of the Settling Bank Appointor pertinent to the relevant notice, and provide notice of the recalculated Settling Bank Settlement Amount to the Settling Bank. In such event, with respect to the Settling Bank Appointor that is a Participant Payee, after such Participant Payee designates the method of receiving payments from JDCC until the date and time determined by JDCC, JDCC’s performance shall not be deemed delayed.

(Article 80 Suspension of Settling Bank’s Operation)

1 If JDCC deems that any of the following Items applies to a Settling Bank, JDCC shall suspend the Settling Bank’s payment to, and receipt from, JDCC of funds described in the Items under Article 72, Paragraph 1:

- (1) If any of the Items (1), (2), (5) or (6) under Article 30, Paragraph 3 applies to the Settling Bank;
- (2) If any of the Items (1) through (4), (6) or (7) under Article 83, Paragraph 1 (limited to the case where the Settling Bank is also a DVP Participant) applies to the Settling Bank; or
- (3) If an event occurs which is not described in the preceding two (2) Items and which is deemed to cause the conduct by the Settling Bank of the business of the Settling Bank to be difficult.

2 If any of the Items under the preceding Paragraph applies to a Settling Bank, it shall promptly notify JDCC to that effect.

3 When Paragraph 1 above applies, JDCC shall cause each Settling Bank Appointor that has appointed the Settling Bank to designate another method of payments and receipts of funds described in the Items under Article 72, Paragraph 1, and shall determine the date and time of payments and receipts of such funds using the designated method. In such event, with respect to the Settling Bank Appointor which is a Participant Payee, until such determined date and time, JDCC's performance shall not be deemed delayed.

(Article 81 Matters to be Prescribed by Other Rules)

The necessary matters relating to the Settling Banks, other than the provisions set forth in this Chapter, shall be prescribed by JDCC elsewhere.

#### Chapter 12 Measures to be Taken in the Event of DVP Participants' Settlement Default

##### Section 1 Measures to be Taken in the Event of Settlement Default

(Article 82 Measures to be Taken in the Event of Settlement Default)

1 If a DVP Participant fails, or is deemed likely to fail, to perform the payment obligation relating to the Participant Settlement Amount or any other obligations owed to JDCC under the Business Rules (with respect to a Settling Bank Appointor, including if the Settling Bank appointed by the Settling Bank Appointor issues a disapproval notice or an Additional Disapproval Notice), JDCC may suspend (i) the assumption of the obligations arising from the Transactions Subject to Clearing to which the DVP Participant is a party, (ii) JDCC's return of the DVP Participant's Settlement Facilitation Payment Deposited Balance, its refund of the Participants Fund Deposited Balance and its return of the Pledged Securities Balance, and (iii) the Completion of DVP Book-Entries (hereinafter collectively referred to as the "Measures such as Suspension of Assumption of Obligations") to the extent and during the period deemed necessary by JDCC.

2 If JDCC carries out the Measures such as Suspension of Assumption of Obligations set forth in the preceding Paragraph, JDCC shall notify the DVP Participants to that effect.

Section 2 Performance of Obligations by Netting Calculations, etc.

(Article 83 Acceleration of Due Dates)

1 If any of the following Items applies to a DVP Participant, all of the DVP Participant's obligations owed to JDCC under the Business Rules shall automatically become immediately due and payable without any notice, demand, etc., from JDCC, and the DVP Participant shall immediately satisfy such obligations:

- (1) If a petition is filed, or notice is issued, for the commencement of bankruptcy proceedings, commencement of civil rehabilitation proceedings, commencement of corporate reorganization proceedings, commencement of liquidation, or commencement of special liquidation;
- (2) If a resolution for dissolution is adopted or dissolution otherwise becomes effective (excluding if such dissolution results from a merger or an order to commence bankruptcy proceedings);
- (3) If any clearinghouse or Electronic Monetary Claim Recording Institution as defined in Article 2, Paragraph 2 of the Electronically Recorded Monetary Claims Act (Law No. 102 of 2007) suspends transactions involving the DVP Participant;
- (4) Other than the circumstances described in the preceding three (3) Items, (i) if the DVP Participant files a petition for any proceedings for the rearrangement of liabilities with a court's involvement, or (ii) if the DVP Participant announces that it is insolvent or has discontinued its business, or (iii) if any other event indicating the DVP Participant's suspension of payments to creditors in general occurs;
- (5) (i) If an order for provisional attachment, preservative attachment, or attachment with respect to JDCC's obligations owed to the DVP Participant under the Business Rules is issued, or (ii) if a notice of transfer or pledge with respect to such obligations is issued;
- (6) If an event which is the same as or similar to any of the events described in the foregoing Items occurs under foreign laws and regulations; or
- (7) If the DVP Participant fails to perform some or all of the payment obligation relating to the Participant Settlement Amount.

2 If following Items applies to a DVP Participant, upon JDCC's issuance of notice to the DVP Participant to that effect, all of the DVP Participant's obligations owed to JDCC under the

Business Rules shall automatically become immediately due and payable, and the DVP Participant shall immediately satisfy such obligations:

(1) If the DVP Participant (i) disclaims in writing the existence of any of its obligations owed to JDCC under the Business Rules, or (ii) admits its lack of ability or willingness to perform such obligations; or

(2) If the DVP Participant violates the Business Rules and JDCC deems that such violation constitutes an event where the preservation of JDCC's rights is necessary.

3 When the preceding Paragraph applies, if the notice is delivered late or is not delivered due to the DVP Participant's failure to report its address change, its refusal to accept the notice from JDCC, or any other cause for which the DVP Participant should be held responsible, acceleration of the due dates shall be deemed to occur when such notice should ordinarily have been delivered.

4 If the DVP Participant's obligations become immediately due and payable pursuant to Paragraphs 1 and 2 above between 9 a.m. and the Final DVP Book-Entry Cutoff Time on the Settlement Date, as though the Final DVP Book-Entry Cutoff Time shall be deemed to have arrived, and Article 66 shall apply to the DVP Participant.

(Article 84 Closeout Netting)

1 If (i) a petition is filed, or notice is issued, for the commencement of bankruptcy proceedings, commencement of civil rehabilitation proceedings, commencement of corporate reorganization proceedings, commencement of liquidation, or commencement of special liquidation (hereinafter referred to as the "Cause of Closeout Netting") with respect to a DVP Participant, and (ii) the DVP Participant is a Participant Payer at the time when the Cause of Closeout Netting occurs, and (iii) the DVP Participant's payment obligation relating to the Participant Settlement Amount exceeds the Participants Fund Deposited Balance of the DVP Participant, then the amount obtained by netting the Appraised Default Values at the time when the Cause of Closeout Netting occurs of (x) all of the outstanding Monetary Payment/Return Obligations between the DVP Participant and JDCC (meaning herein (i) the DVP Participant's payment obligation relating to the Participant Settlement Amount and the payment obligations which the DVP Participant owes under Article 70, Paragraph 2, and Article 91 arising from the above-referenced payment obligation (hereinafter referred to as the "DVP Participant's Payment Obligation

Relating to its Participant Settlement Amount, etc.”) and (ii) JDCC’s obligation owed to the DVP Participant to return the Participants Fund Deposited Balance) and (y) all of the outstanding Securities Transfer/Return Obligations (meaning herein JDCC’s obligations owed to the DVP Participant to return the Pledged Securities Balance and transfer the Subject Securities relating to the Completion of DVP Book-Entries) shall become either a single obligation of JDCC owed to the DVP Participant or a single obligation of the DVP Participant owed to JDCC.

2 The Appraised Default Value set forth in the preceding Paragraph shall be calculated as in accordance with the following Items:

(1) As to the Monetary Payment/Return Obligations, the amount of the respective obligations; or

(2) As to the Securities Transfer/Return Obligations, the sum of the amounts set forth in a) and b) below:

a) If JDCC sells the securities of the same type and the same amount as those which must be transferred or returned in connection with the Securities Transfer/Return Obligations before the third (3<sup>rd</sup>) day after the day on which the Cause of Closeout Netting occurred, an amount equal to the total amount of the sale proceeds, reduced by the expenses and fees required for such sale; and

b) If JDCC does not sell the securities of the same type and the same amount as those which must be transferred or returned in connection with the Securities Transfer/Return Obligations before the third (3<sup>rd</sup>) day after the day on which the Cause of Closeout Netting occurred, the aggregate market price of the securities on such third (3<sup>rd</sup>) day.

3 JDCC shall calculate the amount of the single obligation pursuant to Paragraph 1 above promptly after the Appraised Default Value is calculated and shall notify the DVP Participant to that effect. In such event, JDCC shall designate the date and time when the single obligation is to be performed.

4 The Monetary Payment/Return Obligations and the Securities Transfer/Return Obligations between the DVP Participant and JDCC shall be deemed performed and extinguished at the time when these obligations become a single obligation pursuant to Paragraph 1 above. In such event, notwithstanding Article 40, Paragraph 2 and the first sentence of Article 58, Paragraph 5, JDCC may perform the Securities Transfer/Return

Obligations by paying the Appraised Default Value of the Securities Transfer/Return Obligations at the time when the Cause of Closeout Netting occurs (the amount calculated in accordance with Paragraph 2, Item 2 above) and it shall be deemed to have elected such method of performance.

- 5 In the event described in Paragraph 2, Item (2)b) above, if (i) JDCC sells the securities of the same type and the same amount as those which must be transferred or returned in connection with the Securities Transfer/Return Obligations on or after the third (3<sup>rd</sup>) day set forth in Item (2)b), and (ii) the amount equal to the total amount of the sale proceeds, reduced by the expenses and fees required for such sale, is less than the aggregate market price set forth in Item (2)b), the DVP Participant referred to in Paragraph 1 above shall be obligated to pay such difference.

(Article 85 Netting Calculations)

- 1 If a DVP Participant's Payment Obligation Relating to its Participant Settlement Amount, etc., and the DVP Participant's other obligations owed to JDCC under the Business Rules are due, JDCC may offset those obligations against JDCC's obligations owed to the DVP Participant under the Business Rules regardless of their due dates and times.
- 2 When the preceding Paragraph applies, the obligations shall be satisfied in accordance with the sequence set forth in the following Items; provided, however, that the foregoing shall not apply if JDCC deems it necessary for the preservation of JDCC's rights.
- (1) The DVP Participant's obligations owed to JDCC under the Business Rules shall be satisfied in accordance with the sequence described below:
- a) The DVP Participant's Payment Obligation Relating to its Participant Settlement Amount, etc.; and
  - b) The DVP Participant's obligations owed to JDCC under the Business Rules other than those described in a) above.
- (2) If the amount of the Monetary Payment/Return Obligations included in JDCC's obligations owed to the DVP Participant under the Business Rules is not sufficient to satisfy all of the DVP Participant's Payment Obligation Relating to its Participant Settlement Amount, etc., under the Business Rules, JDCC shall satisfy the Securities Transfer/Return Obligations to the extent necessary to satisfy the remaining obligations in accordance with the sequence described below:



- a) The obligation to return the Pledged Securities Balance; and
- b) The obligation to transfer the Subject Securities relating to the Completion of DVP Book-Entries.

3 Notwithstanding Article 40, Paragraph 2 and the first sentence of Article 58, Paragraph 5, JDCC may perform the obligations to return the Pledged Securities Balance and to transfer the Subject Securities relating to the Completion of DVP Book-Entries upon the set-off set forth in Paragraph 1 above by paying the total appraised value of such obligations to return and to transfer (meaning the sum equal to the total amount of the sale proceeds, reduced by the expenses and fees required for such sale, if JDCC sells the securities of the same type and the same amount as those which must be so returned or transferred), and it shall elect such method of performance and carry out the set-off.

4 The calculation period of the overdue charges and other money payable, when performing the netting calculation with respect to the set-off set forth in Paragraph 1 above, shall be until the day on which JDCC performs such calculation.

5 The intention to carry out the set-off pursuant to Paragraph 1 above shall be notified in writing.

6 JDCC may designate, in the notice set forth in the preceding Paragraph, the sequence and method of satisfying the claims and obligations with respect to the set-off set forth in Paragraph 1 above, and the DVP Participant shall have no right to object to such designation.

7 JDCC may offset at any time the single remaining obligation owed to or claim against the DVP Participant pursuant to Article 84 against any payment claim against or obligation owed to the DVP Participant (including those not under the Business Rules) regardless of their due dates and times. In such event, the preceding six (6) Paragraphs shall apply *mutatis mutandis*.

8 The matters necessary for the set-off set forth in the preceding seven (7) Paragraphs shall be determined by JDCC on a case-by-case basis.

(Article 86 Disposition of Assurance Assets)

1 When Article 84 or the preceding Article apply to a DVP Participant, JDCC may sell at the financial instruments market, or otherwise dispose of or pledge using the method deemed appropriate by JDCC, the securities of the same type and the same amount as the

Pledged Securities Balance or the Securities-to-be-Received Balance of the DVP Participant to the extent that the obligations to return or transfer have been extinguished pursuant to Article 84 or the preceding Article.

2 JDCC shall take the actions set forth in the following Items with the money obtained from the disposition or pledge pursuant to the preceding Paragraph:

- (1) Performance of the payment obligations relating to the Participant Settlement Amount and other obligations which JDCC owes to the DVP Participants;
- (2) Repayment of the loans procured from the Banks pursuant to Article 69, Paragraph 1, Item (2); and
- (3) Restoration of the balance relating to the investment of the Participants Fund pursuant to Article 56, Paragraph 2.

### Section 3 Loss Compensation by DVP Participants

(Article 87 Default Compensation Charge)

1 If JDCC suffers a loss due to a DVP Participant's Outstanding Obligation remaining after (i) the DVP Participant's Payment Obligation Relating to its Participant Settlement Amount, etc., becomes a single obligation pursuant to Article 84 or (ii) the JDCC carries out the set-off pursuant to Article 85, Transferring Participants relating to such DVP Participant (such DVP Participant being hereinafter referred to as the "Defaulting Participant") shall pay the Default Compensation Charge to JDCC by the date and time determined by JDCC on a case-by-case basis. In such event, JDCC shall compensate its loss caused by the Defaulting Participant (hereinafter referred to as the "Net Default Loss") with the Default Compensation Charge.

2 The Transferring Participants relating to the Defaulting Participant set forth in this Article and the following Article shall mean (i) the Transferring Participants which have entered into the Transactions Subject to Clearing (limited in this Paragraph and the following Paragraph to those which have satisfied the Transfer Conditions and with respect to which JDCC has assumed the relevant obligations) of which the Defaulting Participant is the Receiving Participant and (ii) the Fund-Receiving Participants which have entered into the Transactions Subject to Clearing of which the Defaulting Participant is the Paying Participant on the day on which such default occurs or the day

preceding such day (limited to if the acceleration of the due dates occurs on a holiday of JDCC or if JDCC approves the application of Article 90 to the Defaulting Participant; hereinafter simply referred to as the “Default Date”).

3 The amount of the Default Compensation Charge set forth in Paragraph 1 above shall be equal to the amount of the Net Default Loss allocated proportionally to each Transferring Participant relating to the Defaulting Participant based on the sum of the Settlement Amounts of its Transactions Subject to Clearing of which the Defaulting Participant is the Receiving Participant or the Paying Participant.

4 If a Transferring Participant relating to the Defaulting Participant fails to pay the Default Compensation Charge by the date and time set forth in Paragraph 1 above, the Transferring Participant relating to the Defaulting Participant shall be deemed to have failed to perform the payment obligation relating to the Participant Settlement Amount, and Articles 82, 83 and 85 shall apply to the Default Compensation Charge.

(Article 88 Extra Default Compensation Charge)

1 If there still remains a loss relating to the Net Default Loss, which needs to be compensated, after the measures set forth in the preceding Article are taken (hereinafter referred to as the “Remaining Loss”), the Non-Defaulting Participants (meaning herein the DVP Participants on the Default Date other than the Defaulting Participant and the Transferring Participants relating to the Defaulting Participant from which JDCC has collected, as the Default Compensation Charge, an amount less than the full amount of the Default Compensation Charge pursuant to Paragraph 4 of the preceding Article) shall pay the Extra Default Compensation Charge by the date and time determined by JDCC on a case-by-case basis. In such event, JDCC shall compensate the Remaining Loss with the Extra Default Compensation Charge.

2 The amount of the Extra Default Compensation Charge set forth in the preceding Paragraph shall be an amount equal to the Remaining Loss allocated proportionally to each Non-Defaulting Participant on the Default Date based on its Required Participants Fund Amount on the Default Date (the amount is prescribed in the rules).

3 If a Non-Defaulting Participant fails to pay the Extra Default Compensation Charge by the date and time set forth in Paragraph 1 above, the Non-Defaulting Participant shall be deemed to have failed to perform the payment obligation relating to the Participant

Settlement Amount, and Articles 82, 83 and 85 shall apply to the Extra Default Compensation Charge.

4 If there still remains any loss, which needs to be compensated, after the measures referred to in the preceding three (3) Paragraphs are taken, the provisions of this Article shall apply.

(Article 89 Collection from Defaulting Participant)

If JDCC subsequently collects from a Defaulting Participant debts relating to the loss that has been compensated pursuant to the preceding two (2) Articles, JDCC shall return proportionate amounts of the money so collected to the DVP Participants which were obligated to pay, and paid (including if JDCC collected pursuant to Article 85), the Default Compensation Charge and the Extra Default Compensation Charge pursuant to the preceding two (2) Articles.

#### Section 4 Miscellaneous Clauses

(Article 90 Special Rule for Non-Performance of Payment Obligations Relating to the Participant Settlement Amount)

1 If (i) a DVP Participant provides prior written notification stating that it will be difficult to perform its payment obligation relating to the Participant Settlement Amount at or prior to the Fund Settlement Cutoff Time due to problems associated with such DVP Participant's computer system, a natural disaster, or any other unavoidable event, but that it will be able to fully perform such payment obligation without any problem, and (ii) JDCC deems it appropriate, the provisions of Articles 85 and 86 shall not apply to the non-performance of the payment obligation relating to the Participant Settlement Amount until the time determined by JDCC on the following day; provided, however, that the foregoing shall not apply if JDCC deems that any of the Items under Article 83, Paragraphs 1 and 2 (excluding Paragraph 1, Item (7)) applies.

2 If the notification set forth in the preceding Paragraph is issued, JDCC shall notify the relevant DVP Participant whether or not JDCC approves the application of the preceding Paragraph, and, if JDCC approves the application, the determined time referred to in the preceding Paragraph.

(Article 91 Charge for Delayed Payment)

If a DVP Participant fails to perform its payment obligations owed to JDCC under the Business Rules by the due dates and times thereof (including if the application of the preceding Article is approved), the DVP Participant shall pay a overdue charge at the rate of 0.04yen per day per each 100yen of the amount due.

Chapter 13 Sub-Account Groups

(Article 92 Application for Use of Sub-Account Groups)

1 A DVP Participant which maintains two (2) or more accounts with JASDEC may designate one or more of such accounts to constitute one unit (hereinafter referred to as the “Sub-Account Group”), each of which will be treated separately for the purpose of satisfaction of conditions relating to risk management and the Completion Conditions, and for the payments and receipts of funds to and from JDCC.

2 If a DVP Participant intends to use the Sub-Account Groups pursuant to the preceding Paragraph, the DVP Participant shall submit an application for the use of the Sub-Account Groups in advance and in accordance with the rules prescribed by JDCC.

3 The matters set forth in the following Items shall be designated by the DVP Participant (the matter set forth in Item (5) below shall be designated only by the DVP Participant which has submitted notification pursuant to Article 21, Paragraph 2, Item (1) (excluding the DVP Participant which has submitted notification pursuant to Article 21, Paragraph 2, Item (2))) in the application for the use of the Sub-Account Groups set forth in the preceding Paragraph in accordance with the rules prescribed by JDCC:

- (1) The accounts constituting each Sub-Account Group;
- (2) The allocation rate of the Participants Fund Deposited Balance with respect to each Sub-Account Group;
- (3) The allocation rate of the Net Debit Cap with respect to each Sub-Account Group;
- (4) If, with respect to the Participant Settlement Amount, the DVP Participant elects the method of calculating the Participant Settlement Amount for each Sub-Account Group, a statement to that effect; and
- (5) If the DVP Participant requests JDCC to treat the pledge account or pledge trust

account prescribed by JASDEC in the accounts constituting each Sub-Account Group as though such pledge account or pledge trust account would be one of the accounts constituting another Sub-Account Group, for the purpose of satisfaction of conditions relating to risk management and the Completion Conditions and for the payments and receipts of funds to and from JDCC with respect to the Transactions Subject to Clearing set forth in Article 39, Paragraph 4, a statement to that effect.

4 If JDCC receives the application for the use of the Sub-Account Groups set forth in Paragraph 2 above, JDCC shall grant the approval to the DVP Participant, designating the commencement date determined by JDCC of the use of the Sub-Account Groups.

(Article 93 Changes relating to Sub-Account Groups)

1 If a DVP Participant which has obtained the approval for the use of the Sub-Account Groups pursuant to Paragraph 4 of the preceding Article (hereinafter referred to as a “Sub-Account Group User”) intends to terminate the use of the Sub-Account Groups or change any of the matters set forth in the Items under Paragraph 3 of the preceding Article, the Sub-Account Group User shall file an application with JDCC to effect changes with respect to the Sub-Account Groups in advance and in accordance with the rules prescribed by JDCC.

2 The provisions of Paragraph 4 of the preceding Article shall apply *mutatis mutandis* to the application to effect changes with respect to Sub-Account Groups.

(Article 94 Special Rules for Sub-Account Groups)

1 When applying the provisions listed in the left column of the table below (including when the provisions are quoted in the Business Rules) to a Transaction Subject to Clearing of which either or both of the Transferring Participant and the Receiving Participant (in the case of a Transaction Subject to Clearing relating to the assumption of obligation pursuant to an Amount Adjustment Instruction, the Paying Participant and the Fund-Receiving Participant) is/are Sub-Account Group User(s), the words in the middle column appearing in such provisions shall be replaced with the words in the right column.

Article 42, Paragraph 2, Item (3)	Transferring Participant	Transferring Participant (if the Transferring Participant is a Sub-Account Group User, the Sub-Account Group designated by the
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		Transferring Participant)
	Receiving Participant	Receiving Participant (if the Receiving Participant is a Sub-Account Group User, the Sub-Account Group designated by the Receiving Participant)
Article 45, Paragraph 1, Item (2)	Transferring Participant	Transferring Participant (if the Transferring Participant is a Sub-Account Group User, the Sub-Account Group of the Transferring Participant which contains the Transferring Participant Account)
	Receiving Participant	Receiving Participant (if the Receiving Participant is a Sub-Account Group User, the Sub-Account Group of the Receiving Participant which contains the Receiving Participant Account)
	Paying Participant	Paying Participant (if the Paying Participant is a Sub-Account Group User, the Sub-Account Group designated by the Paying Participant)
	Net Debit Cap (meaning the Net Debit Cap as defined in the following Article)	Net Debit Cap (meaning the Net Debit Cap as defined in the following Article; if the Receiving Participant (in the case of the assumption of obligation pursuant to the Amount Adjustment Instruction, the Paying Participant; the same shall apply in this Paragraph) is a Sub-Account Group User, the amount equal to the Net Debit Cap multiplied by the allocation rate designated by the Receiving Participant of the Net Debit Cap pursuant to Article 92, Paragraph 3, Item (3); the same shall apply in Article 64, Paragraph 2)
Article 45,	each DVP	each DVP Participant (if the DVP Participant is

Paragraph 3	Participant	a Sub-Account Group User, each Sub-Account Group)
	Participants Fund Deposited Balance	Participants Fund Deposited Balance (if the DVP Participant is a Sub-Account Group User, the Participants Fund Deposited Balance of each Sub-Account Group, which is equal to the Participants Fund Deposited Balance multiplied by the allocation rate designated by the DVP Participant of the Participants Fund Deposited Balance with respect to each Sub-Account Group pursuant to Article 92, Paragraph 3, Item (2))
Article 45, Paragraph 5	a DVP Participant	a DVP Participant (if the DVP Participant is a Sub-Account Group User, a Sub-Account Group)

2 When applying the provisions listed in the left column of the table below (including when the provisions are quoted in the Business Rules) to the Sub-Account Group Users, the words in the middle column appearing in such provisions shall be replaced with the words in the right column.

Article 43, Paragraph 1	the JGB DVP Account in a ledger, where each DVP Participant	the JGB DVP Account in a ledger, where each Sub-Account Group of each DVP Participant
Article 49, Paragraph 1	such Receiving Participant	each Sub-Account Group of such Receiving Participant
Article 50, Paragraph 2	each applicable DVP Participant	each Sub-Account Group of the applicable Sub-Account Group User
Article 58, Paragraph 5	the DVP Participant	each Sub-Account Group of the Sub-Account Group User
Article 63	each DVP Participant	each Sub-Account Group of each Sub-Account Group User
	the DVP Participant	the Sub-Account Group User



Article 64, Paragraph 1	as money	for each Sub-Account Group as money
Article 64, Paragraph 2	all of	all, with respect to each Sub-Account Group, of
	the DVP Participant	each Sub-Account Group of the Sub-Account Group User
Article 64, Paragraph 4	each DVP Participant	each Sub-Account Group of each Sub-Account Group User

3 When applying the provisions listed in the left column of the table below (including when the provisions are quoted in the Business Rules) to the Sub-Account Group Users (limited to those which have elected the method of calculation set forth in Article 92, Paragraph 3, Item (4)), the words in the middle column appearing in such provisions shall be replaced with the words in the right column.

Article 48, Paragraph 1	the Receiving Participant	each Sub-Account Group of the Receiving Participant
Article 66, Paragraph 1	each DVP participant	each Sub-Account Group of each Sub-Account Group User (limited to those Sub-Account Group Users which have elected the method of calculation set forth in Article 92, Paragraph 3, Item (4); the same shall apply in this Paragraph and Articles 83 through 86 as applied <i>mutatis mutandis</i> under Article 94, Paragraph 3)
	between the DVP participant	between the Sub-Account Group User
	of the DVP Participant	of the Sub-Account Group of the Sub-Account Group User
Article 66, Paragraph 3	each DVP participant	each Sub-Account Group of each Sub-Account Group User
	the DVP Participant	the Sub-Account Group User
Article 74, Item 3	the Participant Settlement Amount	the Participant Settlement Amount of each Sub- Account Group
Article 83,	DVP Participant	Sub-Account Group User

Paragraph 1	all of the DVP participant's obligations	all of the DVP Participant's obligations (limited to the obligations relating to the relevant Sub-Account Group if Item (7) is applicable)
	Participant Settlement Amount	Participant Settlement Amount of each Sub-Account Group
Article 83, Paragraph 4	DVP Participant	Sub-Account Group User
	shall apply to	shall apply(to the extent relating to the relevant Sub-Account Group, under the circumstance described in Paragraph 1 above) to
Article 84, Paragraph 1	DVP Participant	Sub-Account Group User
	Participant Payer	Participant Payer with respect to a Sub-Account Group
	Participant Settlement Amount	Participant Settlement Amount of the Sub-Account Group
	Participants Fund Deposited Balance	Participants Fund Deposited Balance (meaning the Participants Fund Deposited Balance of the Sub-Account Group, which is equal to the Participants Fund Deposited Balance of the Sub-Account Group User, multiplied by the allocation rate designated by the DVP Participant of the Participants Fund Deposited Balance with respect to the Sub-Account Group pursuant to Article 92, Paragraph 3, Item (2))
	all of	all, with respect to the Sub-Account Group, of
	single obligation	single obligation, with respect to the Sub-Account Group,
Article 85, Paragraphs 1 and 2	DVP Participant	Sub-Account Group User (with respect to each Sub-Account Group)
Article 85, Paragraphs 6	DVP Participant	Sub-Account Group User

and 7		
Article 86	DVP Participant	Sub-Account Group User

4 If a Sub-Account Group User referred to in the preceding Paragraph is one of the Settling Bank Appointors which have appointed a particular Bank as the Settling Bank, when applying the provisions of Article 79 (excluding Paragraph 3), the words, “Participant Settlement Amount,” appearing in such provisions shall be replaced with the words, “the Participant Settlement Amount (the Participant Settlement Amount of each Sub-Account Group if the Settling Bank Appointor is a Sub-Account Group User).”

#### Chapter 14 Miscellaneous Provisions

(Article 95 Temporary Change of Cutoff Time)

If deemed necessary by JDCC, JDCC may temporarily change the cutoff time prescribed in the Business Rules. In such event, JDCC shall notify the DVP Participants to that effect in advance, except as otherwise prescribed in the Business Rules.

(Article 96 Postponement of Settlement Date in the Event of Computer System Problems, etc.)

1 If JDCC deems it impossible or difficult to carry out some or all settlements using the computer systems set up by JDCC, JASDEC, or any other organization, which are necessary to carry out settlements between JDCC and the DVP Participants, due to operational problems of such computer systems or other unavoidable event, JDCC may postpone the Settlement Date of some or all of such settlements to any subsequent date. In such event, JDCC shall notify the DVP Participants to that effect in advance.

2 The matters necessary for the postponement of the Settlement Date set forth in the preceding Paragraph shall be determined by JDCC on a case-by-case basis.

(Article 97 Extraordinary Measures in the Event of Natural Disaster, etc.)

1 If JDCC deems it impossible or extraordinarily difficult to carry out settlements between JDCC and the DVP Participants under the Business Rules due to a natural disaster or other unavoidable event, JDCC may determine revised settlement terms and conditions by a resolution adopted at a meeting of the board of directors.

2 If JDCC determines settlement terms and conditions pursuant to the preceding Paragraph, the DVP Participants shall comply therewith.

3 When Paragraph 1 above applies, if urgently necessary, JDCC may determine revised settlement terms and conditions without a resolution adopted at a meeting of the board of directors.

(Article 98 Delegation of Operations)

1 JDCC may delegate operations prescribed by JDCC with respect to the Financial Instruments Obligation Assumption Business and Related Business to the person designated by JDCC.

2 In addition to the matters prescribed in the Business Rules, the DVP Participants and the Settling Banks shall comply with the matters which the person designated by JDCC pursuant to the preceding Paragraph prescribes, with the approval of JDCC, with respect to the operations set forth in the preceding Paragraph.

3 The provisions of Article 20 shall apply *mutatis mutandis* in the event described in Paragraph 1 above.

(Article 99 Determination of Necessary Matters Relating to Financial Instruments Obligation Assumption Business and Related Business)

In addition to the matters prescribed in the Business Rules, if necessary in connection with the Financial Instruments Obligation Assumption Business and Related Business, JDCC may adopt rules to prescribe the required matters.

(Article 100 Incidental Business)

JDCC shall conduct business activities which are incidental to the Financial Instruments Obligation Assumption Business and Related Business.

(Article 101 Authority to Amend)

Any amendment to the Business Rules shall be made by a resolution adopted at a meeting of JDCC's board of directors; provided, however, that the foregoing shall not apply if the amendment is not substantial.

(Article 102 Governing Law and Agreed Jurisdiction)

- 1 The Business Rules shall be governed by the laws of Japan.
- 2 The Tokyo District Court shall have exclusive jurisdiction over any legal action with respect to a dispute between JDCC and any DVP Participant concerning the rights and obligations under the Business Rules; provided, however, that JDCC may file a suit against a DVP Participant in any court of competent jurisdiction in a foreign country.

#### Supplementary Provisions

- 1 The Business Rules shall come into effect on and from May 6, 2004.
- 2 If a person which files an application for obtaining the Clearing Qualification on May 6, 2004, pursuant to Article 9, Paragraph 1, is then a JASDEC Participant, the matters set forth in Article 10, Paragraph 1, Item (2) shall not be examined; provided, however, that the foregoing shall apply only if none of the Items under Article 30, Paragraph 3 is applicable.
- 3 The Business Rules shall apply to the convertible bond certificates relating to the convertible bonds, to which the pre-amendment provisions are deemed to apply pursuant to Article 7, Paragraph 1 of the supplementary provisions of the Law for Partial Amendments to the Commercial Code, etc. (Law No.128 of 2001), and which shall be deemed to constitute certificates of corporate bonds with stock acquisition rights.
- 4 Other than the provisions from Paragraph 1 through the preceding Paragraph, JDCC shall determine the handling of the assumption of obligations at the time of enforcement of the Business Rules and other necessary matters on a case-by-case basis.

#### Supplementary Provisions (Notified on December 27, 2004)

- 1 The amended Business Rules shall come into effect on and from January 1, 2005.
- 2 A declaration of bankruptcy made on or after January 1, 2005, based upon a petition filed on or before December 31, 2004, shall be deemed to constitute an order to commence bankruptcy proceedings.

#### Supplementary Provision (Notified on April 24, 2006)

The amended Business Rules shall come into effect on and from the effective date (May 1,

2006) of the Company Law (Law No. 86 of 2005).

Supplementary Provision (Notified on September 27, 2007)

The amended Business Rules shall come into effect on and from the effective date (September 30, 2007) of the Law for the Partial Amendments to Securities and Exchange Law, etc. (Law No. 65 of 2006).

Supplementary Provision (Notified on December 25, 2007)

The amended Business Rules shall come into effect on and from January 4, 2008.

Supplementary Provision (Notified on January 31, 2008)

The amended Business Rules shall come into effect on and from February 1, 2008.

Supplementary Provision (Notified on April 1, 2008)

The amended Business Rules shall come into effect on and from April 1, 2008.

Supplementary Provision (Notified on December 11, 2008)

The amended Business Rules shall come into effect on and from the effective date of the Law for Partial Amendments to the Act on Book-Entry Transfer of Corporate Bonds and Shares, etc. for the Purpose of Streamlining the Settlement of Trades of Stocks and Other Securities, etc. (Law No. 88 of 2004) prescribed in the main clause of Article 1 of the Supplementary Provisions thereof.

Supplementary Provision (Notified on April 7, 2010)

The amended Business Rules shall come into effect on and from the effective date of the provision listed in the Item (3) of the Supplementary Provisions of the Law Concerning Adjustment and Coordination of Relevant Laws in Association with the Enforcement of the Trust Law (Law No. 109 of 2006).

Supplementary Provision (Notified on March 31, 2011)

The amended Business Rules shall come into effect on and from April 1, 2011.

Supplementary Provision (Notified on March 29, 2012)

The amended Business Rules shall come into effect on and from March 31, 2012.

Supplementary Provision (Notified on March 15, 2013)

- 1 The amended Business Rules shall come into effect on and from March 31, 2013.
- 2 Between March 31, 2013 and March 30, 2014, the term “4.5 percent” in Article 10, Paragraph 1, Item (2) B) (c) (i) shall be deemed to be replaced with “3.5 percent”, the term “6 percent” in B) (c) (ii) under the same item shall be deemed to be replaced with “4.5 percent”, the term “2.25 percent” in Article 30, Paragraph 3 Item (5) (i) shall be deemed to be replaced with “1.75 percent”, and the term “3 percent” in (ii) under the same item shall be deemed to be replaced with “2.25 percent”.
- 3 Between March 31, 2014 and March 30, 2015, the term “4.5 percent” in Article 10, Paragraph 1, Item (2) B) (c) (i) shall be deemed to be replaced with “4 percent”, the term “6 percent” in B) (c) (ii) under the same item shall be deemed to be replaced with “5.5 percent”, the term “2.25 percent” in Article 30, Paragraph 3, Item (5) (i) shall be deemed to be replaced with “2 percent”, and the term “3 percent” in (ii) under the same item shall be deemed to be replaced with “2.75 percent”.

Supplementary Provision (Notified on May 13, 2013)

The amended Business Rules shall come into effect on and from May 15, 2013.

Supplementary Provision (Notified on October 31, 2013)

- 1 Article 10, Article 11, Article 21, Paragraph 2 (to the extent that Article 21, Paragraph 2 applies, including Article 4, Paragraph 1, Items (2) and (3), which are quoted in Article 21, Paragraph 2) and Article 92, Paragraph 3 (to the extent that Article 92, Paragraph 3 applies, including Article 4, Paragraph 1, Item (3), which is quoted in Article 92, Paragraph 3) of the amended Business Rules shall come into effect on and from November 1, 2013.
- 2 The amended provisions of the Business Rules other than those set forth in the preceding Paragraph shall come into effect on and from January 6, 2014; provided, however, that JDCC shall assume the obligations arising from the Transactions Subject to Clearing set forth in Article 4, Paragraph 1, Items (2) and (3) on and from January 8, 2014.

3 If JDCC determines that JDCC is not able to assume, or is not likely to be able to assume, obligations in accordance with the amended Business Rules, due to operational problems of the computer systems operated by JASDEC, the amended provisions of the Business Rules set forth in the preceding Paragraph shall come into effect on and from the date as JDCC designates falling on or after January 7, 2014. In such event, JDCC shall assume the obligations arising from the Transactions Subject to Clearing set forth in the proviso to the preceding Paragraph on and from the day which is three (3) days after such date designated by JDCC.

Supplementary Provision (Notified on March 7, 2014)

The amended Business Rules shall come into effect on and from the date designated by JDCC, which shall be on or after effective date of the provision listed in Article 1, Item (2) of the Supplementary Provisions of the Law (Law No. 45 of 2013) for the Partial Amendments to the Financial Instruments and Exchange Law.

Note: The date designated by JDCC is March 7, 2014.

Supplementary Provision (Notified on March 13, 2014)

The amended Business Rules shall come into effect on and from March 31, 2014.

Supplementary Provision (Notified on November 26, 2014)

The amended Business Rules shall come into effect on and from December 1, 2014.

Supplementary Provision (Notified on November 25, 2015)

The amended Business Rules shall come into effect on and from the date designated by JDCC, which shall be on or after March 31, 2017.

Note: The date designated by JDCC is March 31, 2017.

Supplementary Provision (Notified on September 4, 2020)

The amended Business Rules shall come into effect on and from November 24, 2020.

If JDCC determines that JDCC is not able to apply the amended provisions of the Business Rules, due to operational problems of the computer systems operated by JASDEC, it shall come into effect on and from the date as JDCC designates falling on or after November 25,



2020.

Supplementary Provision (Notified on March 5, 2024)

The amended Business Rules shall come into effect on and from April 1, 2024.