

RULES CONCERNING MATCHING OF SETTLEMENT CONDITIONS, ETC. FOR SECURITIES TRANSACTIONS, ETC.

[TRANSLATION]

This translation has been prepared solely for the reference purposes and shall not have any binding force and is not always the latest version. The original Japanese text will be definitive in case of any divergence in the meaning.

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CHAPTER 1 GENERAL PROVISIONS

Article 1 (Purpose)

These Rules shall prescribe necessary matters related to operations concerning matching of settlement conditions and transmission and receipt of information (hereinafter referred to as “matching, etc.”) for sale, purchase and other transactions of securities and market transactions of derivatives (meaning herein Market Transactions

of Derivatives defined in Article 2, Paragraph 21 of the Financial Instruments and Exchange Law (Law No. 25 of 1948); the same shall apply hereinafter) (hereinafter referred to as “securities transactions, etc.”) conducted by Japan Securities Depository Center, Incorporated (hereinafter referred to as “JASDEC”) pursuant to the provisions under the proviso to Article 9, Paragraph 1 of Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks and Other Securities (Law No. 75 of 2001; hereinafter referred to as the “Law”).

Article 2 (Definition of Terms)

In these Rules, terms prescribed in the following items shall have the definitions listed in the respective items.

(1) Pre-Settlement Matching System:

The system that processes operations related to matching of settlement conditions, etc. conducted by JASDEC for securities transactions, etc.

(2) User:

A person which has been approved by JASDEC to use the Pre-Settlement Matching System (hereinafter referred to as “PSMS”) pursuant to the provisions of these Rules.

(3) Trade Matching:

Matching for the purpose of confirming trade report data.

(4) Settlement Matching:

Matching for the purpose of confirming settlement instruction data.

CHAPTER 2 OPERATIONS, ETC. TO HANDLE

Article 3 (Operations to Handle)

JASDEC shall handle the following operations concerning matching of settlement conditions, etc. for securities transactions, etc.

(1) Trade matching operations and transmission and receipt of information concerning Trade Matching.

(2) Settlement Matching operations

(3) Operations concerning transmission and receipt of information related to issuing, sale and purchase, transaction, book-entry transfer, cancellation, redemption and clearing, etc. of securities and market transactions of derivatives.

Article 4 (Hours of Service)

A User shall conduct matching of settlement conditions, etc. for securities transactions, etc. during the hours prescribed in the following items.

- (1) Operations prescribed in Item (1) of the preceding Article: from 7:00 a.m. until 9:00 p.m.
- (2) Operations prescribed in Item (2) of the preceding Article: from 7:00 a.m. until 10:00 p.m.
- (3) Operations prescribed in Item (3) of the preceding Article: from 7:00 a.m. until 9:00 p.m.; provided, however, from 7:00 a.m. until 10:00 p.m. for operations concerning transmission and receipt of information related to clearing.

CHAPTER 3 USERS

Article 5 (Scope of Users)

The following persons may apply to JASDEC for use of PSMS.

- (1) A person to whom any of the items of Article 44, Paragraph 1 of the Law applies.
- (2) A person engaged in Investment Management Business (meaning herein Investment Management Business defined in Article 28, Paragraph 4 of the Financial Instruments and Exchange Law; the same shall apply hereinafter)
- (3) Financial Instruments Clearing Organization (meaning herein Financial Instruments Clearing Organization defined in Article 2, Paragraph 29 of the Financial Instruments and Exchange Law; the same shall apply hereinafter)
- (4) A Professional Investor (meaning herein Professional Investor defined in Article 2, Paragraph 31 of the Financial Instruments and Exchange Law excluding persons listed in Items (1) and (2).)
- (5) A judicial person or person admitted especially by JASDEC other than any of those prescribed in each preceding item.

Article 5.2 (Preclusion of Anti-Social Forces)

JASDEC, when Users or parties who are officers or others equivalent thereto of the User prove to be Anti-Social Forces (an organized group of gangsters or a gangster, defined in Article 2 of "Act on Prevention of Unjust Acts by Organized Crime Group Members" (Act No. 77 of 1991,) or others equivalent thereto. The same shall apply hereinafter.) has a right to withdraw the approval of application by the User for usage of PSMS, or take any kinds of necessary actions.

Article 6 (Procedures of Application for Usage)

An applicant for new usage of PSMS (hereinafter referred to as "applicant for new usage") or a User shall submit to JASDEC an application form that contains the

description of the matters listed in each following item; provided, however, that matters upon submission to JASDEC from a User shall be limited to Items (3), (4), (5) and (9).

- (1) Title and name of the Person Responsible for the Operation Handling to supervise matching of settlement conditions, etc. for securities transactions, etc., and titles and names of the Persons in Charge of the Operation Handling to assist the Person Responsible for the Operation Handling.
- (2) Title and name of the Person Responsible for the System Handling to supervise computer systems handling User's operation (hereinafter referred to as "User System"), and titles and names of the Persons in Charge of the System Handling to assist the Person Responsible for the System Handling.
- (3) In the case of designating an applicant for new usage or a User as a person to conduct matching of settlement conditions, etc. for securities transactions, etc., all or in part, on behalf of the User (hereinafter referred to as "Operation Agent"), trade name or name, address and scope of operations of the Operation Agent and title and name of the Person Responsible for the Operation Handling of the Operation Agent.
- (4) In the case of designating an applicant for new usage or a User as a person to conduct matching of settlement conditions, etc. for securities transactions, etc. under one's own name, all or in part, on behalf of the User (hereinafter referred to as "Settlement Agent"), trade name or name and scope of operations of the settlement agent.
- (5) In the case of seeking entrustment from another applicant for new usage or a User to conduct matching of settlement conditions, etc. for securities transactions, etc., all or in part, as Settlement Agent, the following matters listed for each applicant for new usage or User.
 - A Trade name or name of the applicable applicant for new usage or User and scope of operations entrusted.
 - B Title and name of the Person Responsible for the Operations Handling concerning operations as a Settlement Agent.
 - C Titles and names of the Person in Charge of the Operations Handling to assist the Person Responsible for the Operation Handling in the preceding B.
 - D Title and name of the Person Responsible for the System Handling concerning operations as a Settlement Agent.
 - E Titles and names of the Person in Charge of the System Handling to assist the Person Responsible for the System Handling in the preceding D.
- (6) Matters concerning usage type of PSMS
- (7) Matters concerning circuit connection
- (8) Matters concerning installation of terminal device for the use of integrated Web functions provided by JASDEC (hereinafter referred to as "Integrated Web Terminal").

- (9) If a User currently uses or plans to use the system of a provider (hereinafter referred to as "Computing Company,") as the User System for processing matching of settlement conditions, etc. for securities transactions, etc., matters concerning the applicable Computing Company.
- 2 An applicant for new usage shall attach a certificate of seal impression of the representative in the case of submitting an application form for usage of PSMS mentioned in the preceding paragraph; provided, however, that this shall not apply if the applicable certificate of seal impression has been already submitted to JASDEC in connection with operations conducted by JASDEC other than matching of settlement conditions, etc. for securities transactions, etc.
- 3 An applicant for new usage or a User shall not appoint Anti-Social Forces as an Operation Agent, a Settlement Agent, or a Computing Company.
- 4 An applicant for new usage or a User who submit the application stated in Paragraph 1 shall also submit a designated document to JASDEC that states themselves or parties who are executive officers, or others equivalent thereto of the User are not applicable to Anti-Social Forces.

Article 7 (Examination and Approval of Application for Usage)

If JASDEC receives an application for usage from an applicant for new usage or a User pursuant to Paragraph 1 of the preceding Article, and determines that the applicable applicant for new usage or User satisfies the criteria of Item (1) and (2) for a person mentioned in Items (1) to (4) of Article 5, or of Item (1) and (3) for a person mentioned in Item (5) of Article 5, JASDEC shall approve use of PSMS by the applicant for new usage or application from the User.

- (1) The person has the necessity to use PSMS to facilitate securities transactions, etc.; provided, however, that for a person mentioned in Item (3) of Article 5, the person has the necessity to use PSMS to conduct businesses prescribed in its Business Rules (meaning herein Business Rules defined in 3 of Article 156, Paragraph 2, Item (4) of the Financial Instruments and Exchange Law).
- (2) The person has the operational capability sufficient to conduct matching of settlement conditions, etc. for securities transactions, etc.
- (3) The person uses Settlement Agent for operations concerning Trade Matching and Settlement Matching; provided, however, that a person equivalent to a person engaged in Investment Management Business uses Operation Agent.

Article 8 (Notice of Approval)

If JASDEC has given approval in the preceding Article, JASDEC shall notify the applicant and other Users to that effect.

Article 9 (Matters to be Notified)

1 A User shall notify the following matters to JASDEC; provided, however, that if the User is a JASDEC Participant (meaning herein Participant defined in Article 2, Paragraph 3 of the Law) or is an Indirect Account Management Institution (an Account Management Institution, (meaning herein Account Management Institution defined in Paragraph 4 of the same Article), the person who has an account opened by another Account Management Institution), notification of matters listed in Items (1) to (3) are not required.

(1) A change in trade name or name

(2) A change in representative or change in title

(3) A change in the address of its headquarters

(4) A change in any of the items listed in Article 6, Paragraph 1

(5) Other items specified as required by JASDEC as necessary to notify for conducting matching of settlement conditions, etc. for securities transactions, etc.

2 Notification format and other necessary items shall be prescribed separately regarding notification of matters listed in each item of the preceding paragraph.

Article 10 (Suspension or Discontinuance of Usage)

1 A User may apply to JASDEC for suspension or discontinuance of usage.

2 If JASDEC receives an application pursuant to the provision of the preceding paragraph or the User ceases to be a person prescribed in Article 5, JASDEC will suspend or discontinue usage of the applicable User.

3 If JASDEC determines it necessary in order to ensure the proper and efficient performance of operation for matching of settlement conditions, etc. for securities transactions, etc. upon the User's breach of these Rules or other requirements prescribed by JASDEC, or upon the User's act of violation of fair and equitable principles such as obstructing operations of JASDEC or other Users, JASDEC may suspend or discontinue usage of the applicable User, after providing an opportunity to such User to defend itself in advance.

4 When JASDEC suspends or discontinues usage of the User pursuant to the provision of the preceding two paragraphs, JASDEC shall notify the relevant User and other Users to that effect in advance.

5 Procedures and other necessary matters in the case of suspension or discontinuance of usage of the User pursuant to the provisions of the preceding Paragraph 2 or 3 shall be prescribed separately.

Article 11 (Reporting)

JASDEC, when it deems necessary and appropriate for securing the appropriate

operation of matching of settlement conditions, etc. for securities transactions, etc., citing its reasons, may seek submission of a report or materials of necessary matters with respect of operation of matching of settlement conditions, etc. for securities transactions, etc. to Users.

CHAPTER 4 METHODS FOR MATCHING

Article 12 (Methods of Trade Matching)

- 1 When a User conducts Trade Matching, the User shall transmit investment instruction data or trade report data to JASDEC.
- 2 When JASDEC is transmitted investment instruction data or trade report data from a User, JASDEC shall conduct matching of or receive the relevant data and transmit matching results or relevant data to the User.
- 3 When a User affirms the relevant investment instruction data or trade report data after being transmitted investment instruction data or trade report data from JASDEC, the User shall instruct JASDEC to that effect.
- 4 Methods of Trade Matching and other necessary matters shall be prescribed separately.

Article 13 (Methods of Settlement Matching)

- 1 When a User conducts Settlement Matching, the User shall transmit settlement instruction data to JASDEC.
- 2 When JASDEC receives settlement instruction data from a User, JASDEC shall conduct matching of relevant settlement instruction data and transmit matching results to the Users (including a person designated in the relevant settlement instruction data); provided, however, when a discrepancy in the settlement amount is negligibly small as prescribed separately, JASDEC shall modify the settlement amount in the settlement instruction data and transmit matching results: "matched" to the Users, depending on the types of securities transactions, etc. as prescribed separately.
- 3 When a User prepares settlement instruction data from pre-registered settlement information (hereinafter referred to as "Registered Settlement Information"), the User shall instruct JASDEC to that effect.
- 4 When JASDEC receives an instruction mentioned in the preceding paragraph from a User, JASDEC shall transmit results of matching to the User (including a person designated in the relevant Registered Settlement Instruction) upon preparing settlement instruction data by adding Registered Settlement Information to trade report data and conducting matching of the relevant settlement instruction data.
- 5 Methods of Settlement Matching, registration methods of Registered Settlement Information and other necessary matters shall be prescribed separately.

Article 14 (Methods for Transmission and Receipt of Information)

- 1 When a User transmits information prescribed in Item (3) of Article 3, the User shall transmit data related to relevant information to JASDEC.
- 2 When JASDEC receives data mentioned in the preceding paragraph from a User, JASDEC shall transmit relevant data to the User (including a person designated in the relevant data).

Article 15 (Methods for Transmission and Receipt of Data)

A User may use PSMS by methods in each following item.

- (1) Online real time data transmission and receipt via connected communications circuit between User System and PSMS.
- (2) Data transmission and receipt by input and output from the Integrated Web Terminal.

Article 16 (Transmission and Receipt of Data with Computing Company by a Circuit Connection)

When the User System connecting via circuit connection is a system belonging to a Computing Company, the data transmitted or received between the system belonging to a Computing Company and PSMS through the said circuit connection shall be handled as if the data had been transmitted or received between the User System of the User that had delegated the processing of matching of settlement conditions, etc. for securities transactions, etc. to the said Computing Company and PSMS.

CHAPTER 5 FEES, ETC.

Article 17 (Fees)

- 1 A person conducting matching of settlement conditions, etc. for securities transactions, etc. by using PSMS shall pay the fees to JASDEC.
- 2 Fees that a User pays to JASDEC pursuant to the preceding paragraph shall be the sum amount of the following.
 - (1) Base Fee
 - (2) Trade Matching Fee (including fees related to operations listed in Item (3) of Article 3)
 - (3) Settlement Matching Fee
 - (4) Integrated Web Terminal Usage Fee
- 3 Fees listed in the preceding paragraph and other necessary matters shall be prescribed in an Appendix.

Article 18 (Bearing of Expenses Relating to Circuit Connection)

Expenses relating to the circuit equipment for circuit connection (shall mean the circuit usage fee and installation construction cost, etc.) shall be borne by Users.

CHAPTER 6 MISCELLANEOUS PROVISIONS

Article 19 (Cooperation with Various Tests)

- 1 The User shall cooperate without protest when it is required to participate in a linkage confirmation test between the User System and PSMS by an advance notice given by JASDEC. The same shall apply when participation in various tests other than the test described above is required by JASDEC.
- 2 Of the expenses required for the linkage confirmation test and the various tests provided in the preceding paragraph, the expenses of the User side shall be borne by the said User.

Article 20 (Confidentiality)

- 1 Users shall comply with these Rules and other rules prescribed by JASDEC and measures taken by JASDEC.
- 2 Parties who are officers or employees or former officers or former employees of the User shall not divulge any secrets obtained through the use of PSMS to any third party.
- 3 Users, when appointing an Operation Agent, a Settlement Agent, or a Computing Company (For now on defined as "Operation Agent, etc." in this Paragraph.) shall let the party observe the following items;
 - (1) Comply with measure taken by JASDEC, in use of PSMS.
 - (2) Parties who are officers, employees, former officers or former employees of the Operation Agents, etc. shall not divulge any secrets obtained through the use of PSMS to any third party.
- 4 Users shall not disclose the specification of PSMS to third party or use them besides their business operation through PSMS without JASDEC's permission, provided, however, when a User commits the business operation in the usage of PSMS to a third party or appoint a third party (the word "third party" also includes the one appointed by the third party to develop a part of or full of the system. The same shall apply hereinafter in this article.), in order to develop a system for business operation for the use of PSMS, a User can disclose the specification of PSMS.
- 5 Users, when disclosing the specification of PSMS to the third party, shall let them observe the provisions defined in the previous paragraph.

Article 21 (Immunity)

JASDEC shall not bear any liabilities for compensation for any damages suffered from

processing operations related to matching of settlement conditions, etc. for securities transactions, etc. by Users' transmission and receipt of data between JASDEC and Users via input and output from the methods defined in Article 15 or other methods, and for any damages suffered from troubles in conducting smooth operations related to matching of settlement conditions, etc. for securities transactions, etc. resulting from system problems, etc. of PSMS.

Article 22 (Necessary Measures, etc.)

JASDEC, in order to operate appropriately and securely matching of settlement conditions, etc. for securities transactions, etc., may prescribe rules or take necessary measures with respect to matters provided for in these Rules and other necessary matters.

Article 23 (Amending the Rules)

JASDEC, when it deems it necessary for the smooth management of PSMS, may amend these Rules.

Article 24 (Governing Law and Agreed Jurisdiction)

- 1 These 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 JASDEC and any User concerning the rights and obligations related to PSMS; provided, however, that JASDEC may file a suit against the Users in any court of competent jurisdiction outside of Japan.

SUPPLEMENTARY PROVISIONS

These Rules shall take effect on and from February 1, 2003.

SUPPLEMENTARY PROVISIONS (Notice as of April 16, 2004)

These amended Rules shall take effect on and from May 6, 2004.

SUPPLEMENTARY PROVISIONS (Notice as of July 29, 2004)

These amended Rules shall take effect on and from August 1, 2004.

SUPPLEMENTARY PROVISIONS (Notice as of September 28, 2007)

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

SUPPLEMENTARY PROVISIONS (Notice as of January 25, 2008)

These amended Rules shall take effect on and from February 1, 2008.

SUPPLEMENTARY PROVISIONS (Notice as of December 4, 2008)

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

SUPPLEMENTARY PROVISIONS (Notice as of March 30, 2009)

These amended Rules shall take effect on and from April 1, 2009.

SUPPLEMENTARY PROVISIONS (Notice as of July 24, 2009)

These amended Rules shall take effect on and from August 1, 2009.

SUPPLEMENTARY PROVISIONS (Notice as of March 31, 2010)

These amended Rules shall take effect on and from May 1, 2010.

SUPPLEMENTARY PROVISIONS (Notice as of November 1, 2011)

These amended Rules shall take effect on and from January 6, 2014.

SUPPLEMENTARY PROVISIONS (Notice as of June 18, 2012)

These amended Rules shall take effect on and from January 6, 2014.

SUPPLEMENTARY PROVISIONS (Notice as of January 8, 2013)

These amended Rules shall take effect on and from February 25, 2013.

SUPPLEMENTARY PROVISIONS (Notice as of September 30, 2013)

These amended Rules shall take effect on and from October 1, 2013.

SUPPLEMENTARY PROVISIONS (Notice as of October 31, 2013)

These amended Rules shall take effect on and from November 1, 2013.

SUPPLEMENTARY PROVISIONS (Notice as of February 2, 2015)

These amended Rules shall take effect on and from May 1, 2015.

SUPPLEMENTARY PROVISIONS (Notice as of March 25, 2016)

These amended Rules shall take effect on and from April 1, 2016.

SUPPLEMENTARY PROVISIONS (Notice as of December 3, 2018)

These amended Rules shall take effect on and from January 4, 2019.

SUPPLEMENTARY PROVISIONS (Notice as of April 1, 2020)

These amended Rules shall take effect on and from May 1, 2020.