

Outline of Margin & Settlement Regulations

(Futures & Options Transactions)

Effective 30 December 2009
Tokyo Stock Exchange, Inc.
Japan Securities Clearing Corporation

I. MARGIN

BROKERAGE MARGIN

Customers shall open an account and deposit a brokerage margin with Trading Participants for trading in futures and options (government bond futures, options on government bond futures, index futures and options, individual options) on the Tokyo Stock Exchange, Inc. (TSE).

DEPOSIT & SEGREGATION OF CLEARING MARGIN

Cash and securities deposited as margin by customers shall be deposited with Japan Securities Clearing Corporation (JSCC) as clearing margin (direct deposit) through a Trading Participant. A Trading Participant with Clearing Qualification status shall deposit clearing margin (direct deposit) with JSCC. A Trading Participant that doesn't have Clearing Qualification status ("Non-Clearing Participant") shall deposit clearing margin (direct deposit) with JSCC through its designated Clearing Participant (a firm with Clearing Qualification status). With consent in writing or by electronic means from the customer, a Trading Participant may deposit equivalent proprietary cash or securities as clearing margin in lieu of those deposited by the customer (replacement deposit).

In order to protect the margin for its customers' positions, a Trading Participant shall deposit margin for its proprietary account and margin for its customers' accounts separately. JSCC will handle each category of deposited clearing margin separately.

REQUIRED MARGIN

Brokerage margin is to be equal to or greater than the sum derived from SPAN® based on the customer's futures and options open positions, less the total net option value of the open interest on options transactions. If the total net option value is positive it is subtracted, if it is negative the equivalent is added. (This applies to all margin calculations below.)

Note 1: 'Total net option value' is equivalent to the net of all long and short options.

Note 2: 'Net of all long and short options', where the open positions are for issues with excess long/short options, is calculated by multiplying the net long/short open positions for that issue by the settlement price per transaction unit.

JSCC daily creates and transmits to Trading Participants and customers the necessary data for SPAN® calculations. These SPAN risk parameter files are transmitted electronically and posted on the JSCC and CME websites after the close of trading.

SECURITIES IN LIEU OF CASH

JSCC designated securities may be deposited as margin in lieu of cash. However, cash deficits¹ must be remedied by depositing cash. The value of securities shall be based on their closing price two days before they are deposited.

¹ Difference between actual cash deposited and the amount required, taking unrealised profits/losses and unsettled premiums into account

MARGIN DEPOSIT CALCULATIONS

A customer's aggregate margin deposit is calculated by adding/subtracting total cash to be paid/received on/from the total amount of cash and securities actually deposited. Sums to be taken into account include the amount of unrealised¹ and unsettled² profit/loss on the customer's futures positions, and the unsettled premium (including unsettled cash upon exercise of index options) on the customer's options contracts. The value of deposited securities is based on the closing price of the day immediately prior to the day of calculation.

¹ Derived from the net balance of profit/loss due to price fluctuations on all futures contracts open positions, by deducting the amount of unrealised profit paid to the customer.

² Cash that has not been settled between Trading Participant and customer.

WITHDRAWAL OF MARGIN & UNREALISED PROFIT PAYMENTS

Customers may only withdraw securities and cash (including unrealised profits on their futures positions) from margin if the aggregate margin exceeds the required margin, and only up to the value of the excess. Any unrealised profits not paid to the customer will be treated in the same way as the customer's other deposited assets.

OFFSETTING WITH MARGIN DEPOSITS AT OTHER DOMESTIC EXCHANGES

Customers may offset margin deficits for TSE-listed contracts with surplus margin deposits for designated futures and options contracts at other domestic stock exchanges. If this surplus is insufficient to cover the deficit, then additional margin

must be deposited. This same principle applies to cash deficits, in which case cash and unrealised profits from margin at the other exchange may be used; additional cash is to be deposited to cover any remaining deficit.

II. MARKING TO THE MARKET OF FUTURES CONTRACTS

Open positions in futures shall be marked to the market every day. Cash payments shall be made between the Clearing Participant and JSCC for the net balance of payments and receipts for both the settlement of options contracts premiums and the exercise of index options contracts.

III. SETTLEMENT OF OPEN POSITIONS

Final Settlement of Index Futures

Positions in index futures not closed out through resale or repurchase by the last trading day shall be settled between Clearing Participants and JSCC, and between Non-Clearing Participants and their designated Clearing Participants by final cash delivery on the final cash settlement day¹.

¹ Final cash settlement days is the second day following the last trading day (the day following the day when special quotation for settlement is calculated).

Final Settlement of mini-JGB Futures

Positions in mini-JGB futures not closed out through resale or repurchase by the last trading day shall be settled between Clearing Participants and JSCC, and between Non-Clearing Participants and their designated Clearing Participants by final cash delivery on the final cash settlement day¹.

¹ Final cash settlement days is the second day following the last trading day (the day following the day when final settlement price for settlement is calculated).

Final Settlement of Government Bonds Futures (excluding mini-JGB Futures)

Positions in government bonds futures (excluding mini-JGB futures) not closed out through resale or repurchase by the last trading day shall be settled by physical delivery of government bonds and cash payment on the delivery day¹. The amount of the cash payment shall be calculated by multiplying one percent of the aggregate face value of the deliverable bond by the value obtained by multiplying the delivery price² by the conversion factor.

¹ Delivery day is 20th of each contract month. (If non-business day, it shall be next business day.)

² Delivery price shall be the settlement price of the last trading day.

IV. DEPOSIT & PAYMENT DEADLINES

Customers shall make any margin deposits and cash payments by the time designated by the Trading Participant, either on or before the business day (second business day for non-residents¹) following the day the necessity arises.

¹As defined in Item 6 Paragraph 1 of Article 6 of the Foreign Exchange and Foreign Trade Law.

Clearing Participants shall deposit margin with JSCC by 12:00 noon on the business day following the day the necessity arises. Cash for settlement and marking to the market shall be paid to JSCC by 13:00 on the business day following the day the necessity arises.

Non-Clearing Participants shall deposit margin with their designated Clearing Participants by the time specified by their designated Clearing Participants. Cash for settlement and marking to the market shall be paid to their designated Clearing Participants by the time specified by their designated Clearing Participants.

V. EXERCISE OF OPTIONS

Exercise Notice

Exercise notices by buying Trading Participants shall include the series and number of options to be exercised, and shall differentiate between those for proprietary accounts and those for brokerage accounts. Deadline for these notices to be submitted to JSCC is 5:00pm.

Instructions to exercise options by buying customers shall include the series and number of options to be exercised, and shall be made by 4:00pm.

Allocation of Exercise Assignment

On receipt of an exercise notice JSCC shall allocate the exercise assignment to a writing position and notify that Trading Participant of the number of exercised options contracts per proprietary and brokerage account.

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