

Rules on Exchanges of Bonds Drawn for Redemption



Japan Securities Clearing Corporation

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Rules on Exchanges of Bonds Drawn for Redemption

(In effect as of September 30, 2007)

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(Article 1 Purpose)

These Rules set forth the matters necessary for a claim, etc. for an exchange of a Bond Drawn for Redemption*¹ in the case where such bond is used for the settlement of Contracts for Clearing in JSCC in accordance with Article 65 of the Business Rules.

(*¹ referring to a Bond Drawn for Redemption as prescribed in Article 65 of the Business Rules; the same applies hereinafter)

(Article 2 Claim for Exchange)

1 In the case where a Securities Clearing Participant finds out that a delivered bond is a Bond Drawn for Redemption, such Securities Clearing Participant may demand to the Securities Clearing Participant that delivered such Bond Drawn for Redemption to JSCC*¹ to exchange it for another bond of the same issue*² by the day*³ three months after the relevant issue's first interest payment date*⁴ after the delivery; provided, however, that in the case where such Bond Drawn for Redemption is a bond other than an interest-bearing bond, a Claim for Exchange may be made by the day*⁵ one year and three months after the delivery day.

(*¹ hereinafter referred to as "Delivering Securities Clearing Participant")

(*² hereinafter referred to as "Claim for Exchange")

(*³ if such day falls on a holiday, it shall be the immediately following business day)

(*⁴ if such date falls on a redemption date of the relevant Bond Drawn for Redemption, the following interest payment date)

(*⁵ if such day falls on a holiday, it shall be the immediately following business day)

2 In the case where the Securities Clearing Participant that received the relevant Bond Drawn for Redemption*¹ makes a Claim for Exchange pursuant to the provisions of the preceding Paragraph, such Securities Clearing Participant shall transfer the relevant Bond Drawn for Redemption to the Delivering Securities Clearing Participant through JSCC; provided, however, that in the case where such Receiving Securities Clearing Participant is not able to transfer the relevant Bond Drawn for Redemption due to an unavoidable reason, the document attesting to that fact may, together with the approval of JSCC, substitute such transfer of the relevant Bond Drawn for Redemption.

(*¹ hereinafter referred to as "Receiving Securities Clearing Participant")

(Article 3 Omission of Intermediate Procedures in the Procedure of a Claim for Exchange)

In the case where a Receiving Securities Clearing Participant makes a Claim for Exchange and there is a Securities Clearing Participant against which a Delivering Securities Clearing Participant is entitled to make a Claim for Exchange retroactively in respect of the same Bond Drawn for Redemption, such Receiving Securities Clearing Participant may make a

Claim for Exchange against the relevant Securities Clearing Participant that is subject to such retroactive claim.

(Article 4 Performance of Exchange)

1 In the case where a Delivering Securities Clearing Participant receives a Claim for Exchange pursuant to the provisions of the preceding two Articles, such Delivering Securities Clearing Participant shall make an exchange of the bond by the day^{*1} one month after the day on which it received such Claim for Exchange.

(*1 if such day falls on a holiday, it shall be the immediately following business day)

2 In the cases prescribed in the preceding Paragraph, a Delivering Securities Clearing Participant shall, until the relevant bond exchange is completed and in exchange for receipt of the relevant Bond Drawn for Redemption or the document set forth in the proviso of Paragraph 2 of Article 2, deposit funds with a Receiving Securities Clearing Participant in an amount equivalent to the final price^{*1} of the bond pertaining to the relevant Claim for Exchange in the Designated Financial Instruments Market that is selected according to a specific order of priority as of the day^{*2} immediately preceding the day on which such Claim for Exchange was received; provided, however, that in the case where there is an unavoidable reason, the Delivering Securities Clearing Participant may make such deposit on the immediately following day.^{*3}

(*1 in the case where no final price exists, the price set by JSCC taking into account the market price of a recent date and the overall market conditions; the same applies hereinafter)

(*2 if such day falls on a holiday, it shall be the immediately preceding business day; the same applies hereinafter)

(*3 if such day falls on a holiday, it shall be the immediately following business day; the same applies hereinafter)

3 The provisions of Paragraph 3 of Article 11 of the Handling of Business Rules shall apply *mutatis mutandis* to the specific order of priority in the preceding Paragraph.

(Article 5 Compensation of Interest)

In the case where a Receiving Securities Clearing Participant has not been able to receive interest due to the fact that the delivered interest-bearing bond was a Bond Drawn for Redemption, a Delivering Securities Clearing Participant shall compensate for the amount equivalent to such interest when the Delivering Securities Clearing Participant makes an exchange of such bond.

(Article 6 Cash Settlement)

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In the case where a Delivering Securities Clearing Participant is not able to make the exchange of the bond by the cutoff day set forth in Paragraph 1 of Article 4, the Delivering Securities Clearing Participant shall carry out a cash settlement through JSCC at the settlement price set forth in the following Article, deeming the day immediately following such cutoff day as the settlement day.

(Article 7 Settlement Price)

- 1 The settlement price shall be the final price of the bond pertaining to the relevant Claim for Exchange in the Designated Financial Instruments Market that is selected according to a specific order of priority as of the day immediately preceding the settlement day.
- 2 The provisions of Paragraph 3 of Article 11 of the Handling of Business Rules shall apply *mutatis mutandis* to the specific order of priority in the preceding Paragraph.
- 3 In the case where the relevant Bond Drawn for Redemption is an interest-bearing bond and where such bond is to be settled at the settlement price prescribed in Paragraph 1. a Delivering Securities Clearing Participant shall pay a Receiving Securities Clearing Participant the settlement price, adding the amount equivalent to interest on a bond pertaining to the Claim for Exchange and accrued interest until the settlement date.

(Article 8 Delivering Securities Clearing Participant's Duty of Cooperation)

- 1 In the case where a Delivering Securities Clearing Participant finds out that the bond it has delivered is a Bond Drawn for Redemption, it shall notify such fact to a Receiving Securities Clearing Participant without delay.
- 2 Even in the case where a Receiving Securities Clearing Participant becomes unable to make a claim due to expiration of the period for the claim set forth in Paragraph 1 of Article 2, if a Delivering Securities Clearing Participant is asked by such Receiving Securities Clearing Participant for cooperation relating to the investigation that is necessary for the handling of a Bond Drawn for Redemption, the Delivering Securities Clearing Participant shall comply with such request.

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Supplementary Provisions

- 1 These Rules shall come into effect on January 14, 2003.
- 2 The convertible bonds or the corporate bonds with stock acquisition rights for which the provisions then in force still remain applicable pursuant to the provisions of Paragraph 1 of Article 7 of the Supplementary Provisions of the Law Partially Amending the Commercial Code, Etc. (Law No. 128 of 2001) shall be treated as Convertible Bonds and corporate bonds with stock acquisition rights which are not Convertible Bonds, respectively, and these Rules shall be applied to them accordingly.

Supplementary Provisions

These revised Rules shall come into effect on February 2, 2004.

Supplementary Provisions

These revised Rules shall come into effect on January 10, 2006.

Supplementary Provisions

These revised Rules shall come into effect on September 30, 2007.

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