

Guide to TOCOM Membership

- I. TYPES OF TOCOM MEMBERSHIP
- II. RIGHTS AND PRIVILEGES OF MEMBERSHIP
- III. ELIGIBILITY AND REQUIREMENTS FOR MEMBERSHIP
- IV. FINANCIAL OBLIGATIONS FOR OBTAINING MEMBERSHIP AND OTHER TRADING FEES
- V. APPLICATION PROCEDURES
- VI. STATUTORY BOOKS AND RECORDS
- VII. ASSOCIATE MEMBERSHIP
- VIII. ORDER FLOW
- IX. FINANCIAL REQUIREMENTS FOR CLEARING QUALIFICATION (JCCH)
- X. ENTRY COSTS TO OTHER COMMODITY FUTURES-RELATED ORGANIZATIONS
- XI. OVERALL MEMBERSHIP COST EXAMPLES

I. Types of TOCOM Membership

Definitions

Broker Member	<ul style="list-style-type: none"> Member accredited with a Commodity Derivatives Business Operator (i.e: FCM) license delivered by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Agriculture, Forestry and Fisheries (MAFF), which is a prerequisite for operating brokerage business in commodity futures markets in Japan. A Broker Member has direct access to TOCOM market. A Broker Member can conduct both proprietary trading and brokerage business.
Trade Member	<ul style="list-style-type: none"> Member who has direct access to TOCOM market. A Trade Member can conduct proprietary trading only.
Remote Trade Member*1	<ul style="list-style-type: none"> Member who has direct access to TOCOM market. A Remote Trade Member can conduct proprietary trading only. Foreign firms are able to apply for the Remote Trade Membership.
Affiliate Member	<ul style="list-style-type: none"> Member who has indirect access*2 to TOCOM market. An Affiliate Member can conduct proprietary trading only. Foreign firms are able to apply for the Affiliate Membership.
Associate Member	<ul style="list-style-type: none"> Member who has indirect access*2 to TOCOM market. An Associate member can conduct proprietary trading only. Only foreign firms can apply for the Associate Membership.

*1: Although a business location in Japan is not a requirement, a Remote Trade Member must designate its clearing broker, or its representative in Japan pursuant to the Companies Act, as an Agent for Service of Process.

The Remote Trade Member also needs to conclude a clearing agreement with its clearing broker.

*2: Indirect Trading: trading through Commodity Derivatives Business Operators as their customer.

Number of Members

(As of June 21, 2011)

Market	Contract	# of Members			# of Associate Members
			# of Trade Members	# of Broker Members	
Precious Metals	Gold (Standard & mini)	55	15	20	8
	Silver	51	14		
	Platinum (Standard & mini)	46	15		
	Palladium	45	14		
	Precious Metals Market Total	55	15		
Rubber (RSS3)		38	8	20	26
Oil	Gasoline	58	19	21	3
	Kerosene	59	19		
	Gas Oil	52	17		
	Crude Oil	56	19		
	Oil Market Total	59	19		
Chukyo-oil	Chukyo-Gasoline	40	5	17	0
	Chukyo-Kerosene	40	5		
	Chukyo-oil Market Total	40	5		
TOCOM NEXT		28	6	17	0
	Total	86	20	21	35

II. Rights and Privileges of Membership

	Brokerage Business	Direct Access	Expanded Position Limits
Broker Membership	✓	✓	✓
Trade Membership		✓	✓
Remote Trade Membership		✓ (*)	✓
Affiliate Membership			✓

(*) TOCOM is in the process of confirming legal issues with foreign regulatory authorities to provide DMA to market participants in their jurisdiction. Depending on the law and regulations of the country, TOCOM may be required to obtain permission from the regulatory authority of said country in order to provide the service.

Broker Membership

Broker Members must be a Japanese Commodity Derivatives Business Operator (i.e: FCM) approved by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Agriculture, Forestry and Fisheries (MAFF), and may trade on their own account (i.e: proprietary account) as well as on behalf of their customers. They will have direct access to TOCOM markets.

Trade Membership

Trade Members must be a Japanese entity and may only conduct proprietary trades. They will have direct access to TOCOM markets.

Remote Trade Membership

Remote Trade Members can have a direct access to the TOCOM Markets from outside Japan for conducting proprietary trades (permission from the regulatory authority of said country required)

Affiliate Membership

Affiliate Members can be a Japanese or foreign entity who wish to conduct proprietary trades through one of the Exchange's Broker Members. Position limits applicable to Affiliate Members are higher than customer position limits.

III. Eligibility and Requirements for Membership

(1) Eligibility (Market Rules, Article 85)

	Eligible applicants
Broker Members	Entities Licensed as Commodity Derivatives Business Operators (i.e: FCMs), as described in Article 190.1 of the Commodity Derivatives Act (CDA)
Trade Members	* Commercials that engage in physical trading activities of TOCOM listed commodities
Remote Trade Members	* Commodity Derivatives Business Operators (i.e: FCMs) * Foreign FCMs
Affiliate Members	* Specified OTC Commodity Derivative Dealers * CTAs, proprietary firms, financial institutions, etc.

(2) Requirements

It is necessary for Broker and Trade Members to fulfill the requirements below:

- To register its head office in Japan
- To register as a foreign company in case of a foreign company (Companies Act: Article 818)

IV. Financial Obligations for Obtaining Membership and Other Trading Fees

Note: For Broker & Trade Members, trading system related costs are additionally required.
Not including consumption tax.

(1) Broker Members

Market Divisions:	Precious Metals	Oil	Rubber	TOCOM NEXT	Chukyo-Oil
Guarantee Fund	JPY 3 million	JPY 1 million	JPY 1 million	JPY 1 million	JPY 1 million
Registration Fee	Per Market Division: JPY 10 million (cap: JPY 25 million)				
Annual Membership Dues	JPY 720,000 per Market Division				JPY 480,000
Exchange Fee (Volume Discount for Direct Members Available)	*Standard Futures: JPY 55 (per contract; one-way) *Mini Gold and Mini Platinum: JPY 14 (per contract; one-way) *Options: JPY 19 (per contract; one-way)				*All products: JPY 37 (per contract; one-way)
Delivery Fee	All products: JPY 140 (per delivery; for each Buyer/Seller)				All products: JPY 50 (per delivery; for each Buyer/Seller)

(2) Trade Members

Market Divisions:	Precious Metals	Oil	Rubber	TOCOM NEXT	Chukyo-Oil
Guarantee Fund	JPY 3 million	JPY 1 million	JPY 1 million	JPY 1 million	JPY 1 million
Registration Fee	Per Market Division: JPY 10 million (cap: JPY 25 million)				
Annual Membership Dues	JPY 600,000 per Market Division				JPY 360,000
Exchange Fee	Same as for Broker Members				
Delivery Fee					

(3) Remote Trade Members

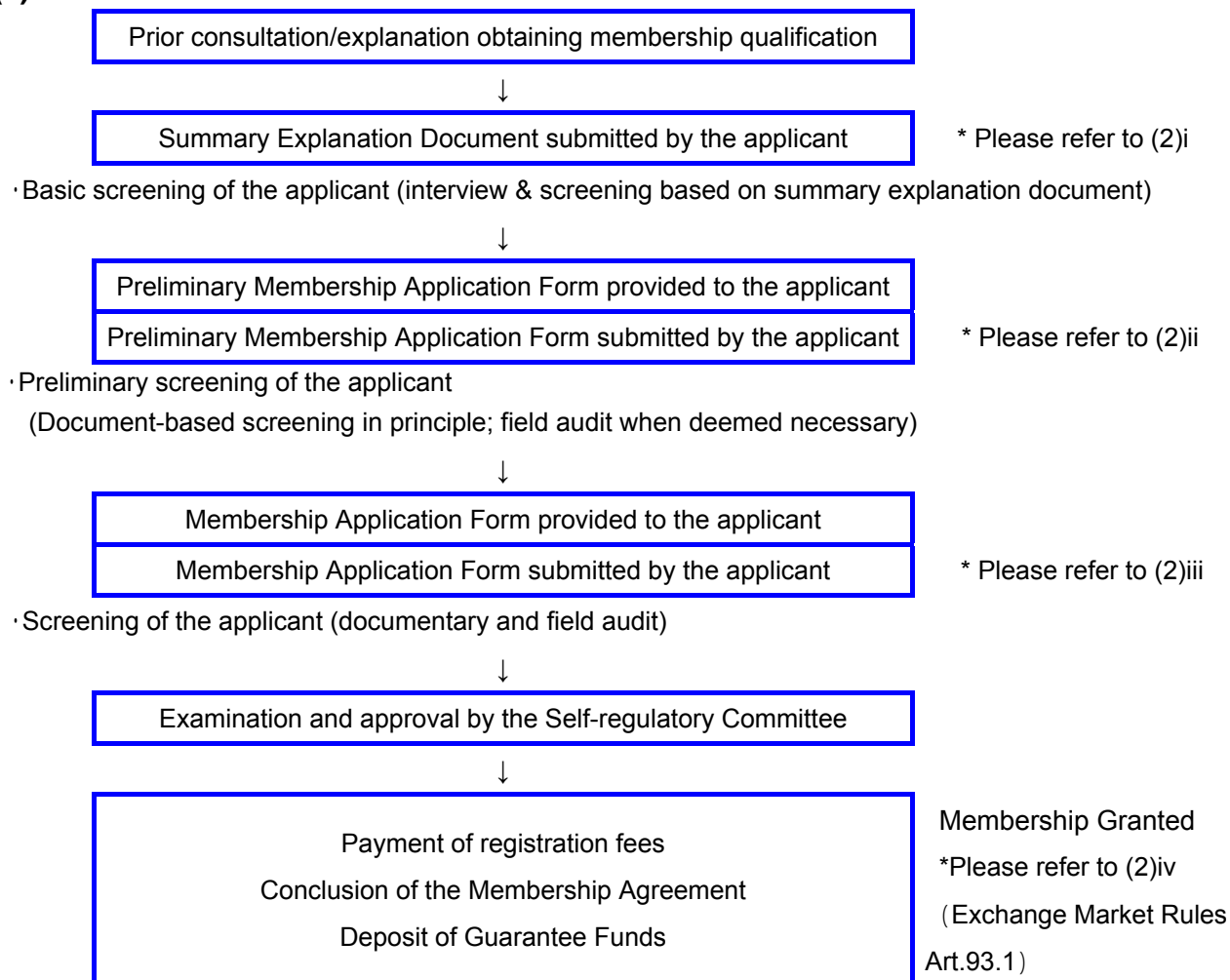
Market Divisions:	Precious Metals	Oil	Rubber	TOCOM NEXT	Chukyo-Oil
Guarantee Fund	JPY 3 million	JPY 1 million	JPY 1 million	JPY 1 million	JPY 1 million
Registration Fee	Per Market Division: JPY 1 million (cap: JPY 2.5 million)				
Annual Membership Dues	JPY 600,000 per Market Division				JPY 360,000
Exchange Fee	Same as for Broker Members				
Delivery Fee					

(4) Affiliate Members

Market Divisions:	Precious Metals	Oil	Rubber	TOCOM NEXT	Chukyo-Oil
Guarantee Fund	JPY 3 million	JPY 1 million	JPY 1 million	JPY 1 million	JPY 1 million
Registration Fee	Per Market Division: JPY 1 million (cap: JPY 2.5 million)				
Annual Membership Dues	JPY 120,000 per Market Division				JPY 60,000

V. Application Procedures

(1) Flow Chart



(2) Required Documents for Submission

i. Upon Submission of Summary Explanation Document

- Corporate brochure or other document which describes the applicant's business
- Document which proves that the applicant is eligible for the membership

ii. Upon Submission of Preliminary Membership Application Form

- Filled Preliminary Membership Application Form (in format prescribed by the Exchange)
- Certified copy of commercial registration (In case of foreign companies, an equivalent);
- Financial Statements, etc. issued in accordance with the provisions of Article 435.2 of the Corporate Act, or securities report or equivalent document (For previous 3 terms);
- Auditors' report: 1 copy
- Company organization chart, organization chart and governing structure of the departments to be related to TOCOM (showing the number of employees and the names of the person in charge)
- Copy of the certificate which proves that the applicant is eligible for membership
- Document describing the amount of trading expected after obtaining membership
- Articles of Incorporation of the Applicant

iii. Upon Submission of Membership Application Form

- Membership Application Form; original in duplicate
- Pledge in writing of the applicant' eligibility for membership (In case of an application for Broker Membership, a copy of the license prescribed in Item 1 of Article 190 of the CDA); original in duplicate
- Articles of Incorporation of the applicant; original in duplicate
- Certified copy of commercial registration (In case of foreign companies, an equivalent); 2 copies
- Written statement showing the location of the applicant's head office or principal office
- Curriculum vitae of each officer/director; originals in duplicate
- Certificates of residence of each officer/director (showing registered address at birth; for foreign citizens, copy of passport or Certificate of Alien Registration); originals in duplicate
- Written Oath from each officer/director that he/she doesn't fall under disqualifying conditions; originals in duplicate
- Written ledge that the applicant doesn't fall under disqualifying conditions; originals in duplicate
- Net asset statement (presented under format No.1 as prescribed in the Commodity Exchange Act and issued within the last 30 days at the time of the application); original in duplicate
- Financial Statements, etc. or securities report or equivalent document (For previous 3 terms); original in duplicate
- Notification of Membership in Other Exchanges; original in duplicate
- Other documents deemed necessary by the Exchange

iv. Upon Conclusion of the Membership Agreement

- Membership Agreement
- Notification of Representative of Member; original in duplicate

VI. Statutory Books and Records

CDA Cabinet Orders	Books	Affiliate / Trade / Remote Trade Members	Broker Members
Books related to Article 50 [Separate accounting in books, etc]	Journal of Futures Transactions	✓	*
	Futures Transactions Settlement Calculation Journal	✓	*
Books Related to Article 113 [Keeping the books]	Order Form	**	✓
	Journal of Commodity Derivatives Transactions	-	✓
	Commodity Derivatives Transactions Ledger	-	✓
	Commodity Derivatives Transactions Balance	-	✓
	Commodity Derivatives Transactions Settlement Calculation Journal	-	✓
	Transactions Records for Introducing Broker or Agent	-	***

✓: Preparation is mandatory

*: No need to prepare if stored in another form

** : Even though it is not a legal requirement to prepare the form for Trade/Remote Trade Members, the Exchange encourages said members to keep order records as a part of their transaction management.

*** : only information related to the introducing broker or agent needs to be specified.

VII. Associate Membership

(1) Eligibility and Financial Obligations for Associate Members

a) Eligibility Conditions:

Persons in foreign countries who engage commercially in activities such as the buying and selling of products listed in the commodity markets of the Exchange and who, in principle, are members of exchanges or associations which deal with products listed in the commodity markets of the Exchange.

Note: Besides these conditions, those who hold the following status are eligible for associate membership.

1. Foreign FCMs under foreign country's laws corresponding to those in Japan
2. Foreign financial institutions (e.g. bank, securities companies, insurance companies) under foreign country's laws corresponding to those in Japan.
3. Proprietary firms, CTAs

b) Financial Obligations:

Market Division	Financial Obligations	
	Registration Fee	Annual Membership Dues
Precious Metals	JPY 500,000	JPY 250,000
Oil	JPY 200,000	JPY 100,000
Rubber	JPY 100,000	JPY 50,000

* No Associate Membership for Chukyo-Oil and TOCOM NEXT market division

(2) Required Documents

- a) Application for registration
- b) Certificate of the applicant's membership at other overseas exchanges, or other relevant organizations
- c) Letters of recommendation
Letters of recommendation from two current TOCOM members are required.
- d) Financial statements (i.e.: Balance Sheet, Profit & Loss)
- e) Certified copy of the Company Registration
- f) Material describing the company in general (Company brochure etc.)

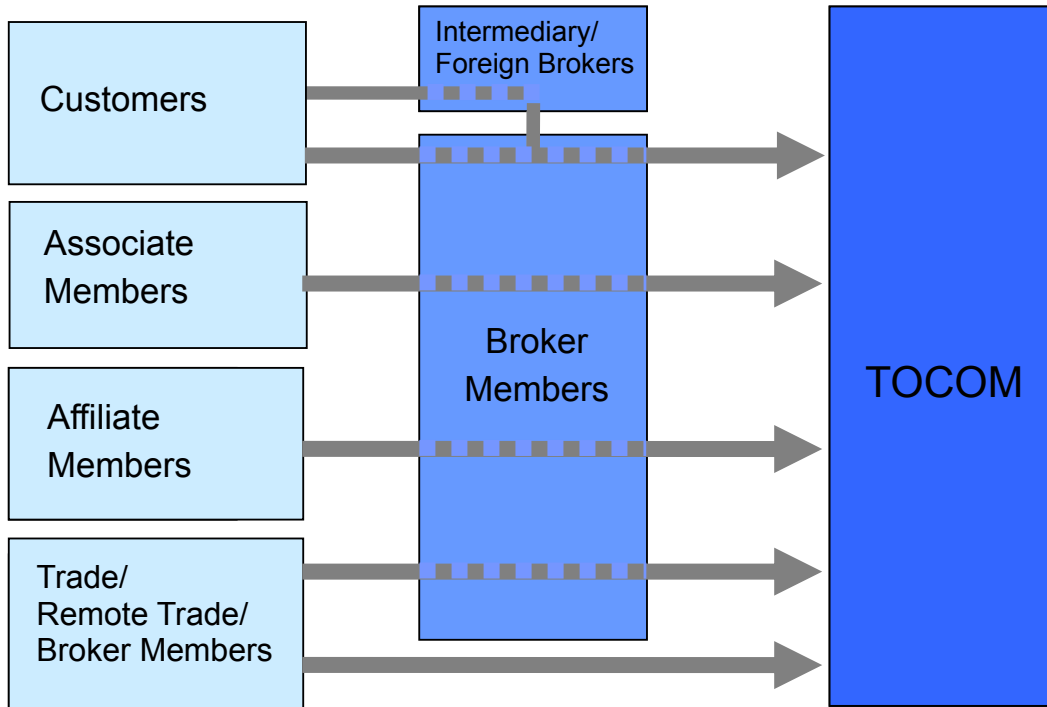
(3) Procedure

The application will be examined through the following process.

- a) Submit the application
- b) Exchange examines the application
- c) Approval by the Marketing Department
- d) Approval by the President & CEO
- e) Make payment of Registration Fee and Annual Membership Dues

VIII. Order Flow

Figure 1:
Channels for Participating in the TOCOM Markets



IX. Financial Requirements for Clearing Qualification (JCCH)

TOCOM Members with direct access to the market (i.e: Broker, Trade and Remote Trade Members) must either become a JCCH Individual Clearing Participant or sign a clearing agreement with a JCCH General Clearing Participant. An applicant for clearing qualification of the Japan Commodity Clearing House (JCCH) must satisfy the financial requirements specified in the table below.

Registration Fee at JCCH (one-time fee): JPY 100,000

Clearing Fee: JPY 3 (per contract; one-way) *Clearing Fee is planned to be raised to JPY 5 starting October, 2011

(1) Net Asset Requirement for Clearing Participants

(all figures in JPY)		Qualification Criteria	Maintenance Criteria
Individual Clearing Participants <i>(Individual clearing participants can accept and clear trades on their own behalf or on behalf of their customers)</i>		Minimum Capital: 300 million Minimum Net Assets: 2 billion Net Asset Ratio Requirement*: > 200%	Minimum Capital: 300 million Minimum Net Assets: <u>1 billion</u> Net Asset Ratio Requirement*: <u>> 140%</u>
	Commercials who have experience in spot transactions and who has received a guarantee from their parent company (Commodity Derivatives Business Operators excluded)	Firms with the following guaranteed by their parent company: Minimum Capital: 300 million Minimum Net Assets: 5 billion	Firms with the following guaranteed by their parent company: Minimum Capital: 300 million Minimum Net Assets: 5 billion
	Entities that have received a guarantee from their parent company	1) Firms with the following guaranteed by their parent company: Minimum Capital: 300 million Minimum Net Assets: 20 billion 2) If the applicant is a Commodity Derivatives Business Operators, the below is additionally required: Net Asset Ratio Requirement*: > 200%	1) Firms with the following guaranteed by their parent company: Minimum Capital: 300 million Minimum Net Assets: 20 billion 2) If the applicant is a Commodity Derivatives Business Operators, the below is additionally required: Net Asset Ratio Requirement*: <u>> 140%</u>
General Clearing Participants	<i>(General clearing participants may accept and clear trades on their own behalf, on behalf of their customers as well as on behalf of non-clearing participants)</i>	Minimum Capital: 300 million Minimum Net Assets: 5 billion: Up to 5 firms 10 billion: Up to 10 firms 20 billion: No limit on no. of participants Net Asset Ratio Requirement*: > 200%	Minimum Capital: 300 million Minimum Net Assets: 5 billion: Up to 5 firms 10 billion: Up to 10 firms 20 billion: No limit on no. of participants Net Asset Ratio Requirement*: > 200%

* Net Asset Ratio is applicable only to Commodity Derivatives Business Operators (i.e: FCM)

(2) Amount of Required Ordinary Clearing Funds

Market	Amount of Deposit					
	Trade Members			Broker Members		
	Initial Deposit Amount	Deposit at Time of Clearing	Cumulative Limit on the Amount	Initial Deposit Amount	Deposit at Time of Clearing	Cumulative Limit on the Amount
Rubber	*2	JPY 10/Cont.	JPY 30 million	*3	JPY 10/Cont.	JPY 30 million
Precious Metals	JPY 20 million	JPY 10/Cont.*1 (None for Palladium)	JPY 110 million	JPY 50 million	JPY 10/Cont.*1 (None for Palladium)	JPY 110 million
Oil	JPY 50 million	JPY 10/Cont.	JPY 100 million	JPY 50 million	JPY 10/Cont.	JPY 100 million
Chukyo-oil	JPY15 million	None	JPY 15 million	*4	JPY 5/Cont.	JPY 30 million
TOCOM NEXT	JPY 7.5 million	JPY 10/Cont.	JPY 15 million	JPY 7.5 million	JPY 10/Cont.	JPY 15 million

*1: Including mini contracts

*2: Average amount of deposits from existing Trade Members, etc. on the last day of the month preceding acquisition of Clearing Qualification.

*3: Average amount of deposits from existing Broker Members, etc. on the last day of the month preceding acquisition of Clearing Qualification.

*4: Average amount of deposits from existing Broker Members, etc. on the last day of the month preceding acquisition of Clearing Qualification. (minimum amount: JPY 15 million)

X. Entry Costs to Other Commodity Futures-related Organizations

A Commodity Derivatives Business Operator (i.e: FCM) must join the National Futures Protection Fund (a fund to protect investors) and the Commodity Futures Association of Japan (an organization that serves as an SRO and registers sales representatives).

Said Operator may also choose to join the Japan Commodity Futures Industry Association, whose aim is to develop the commodity futures market.

(1) National Futures Protection Fund (NFPF) Entry Costs

As mandated by the CDA, this fund was established to protect customer funds, such as margin deposits made by retail investors.

Entrance Fee	200,000 JPY
Initial Deposit Fee (Non-Refundable after January 2011)	4,000,000 JPY
Annual Dues	200,000 JPY
Contract Fee	2.85 JPY (per lot; one way)

Website of the National Futures Protection Fund (Japanese only): <http://www.hogokikin.or.jp/kanyuu.htm>

(2) Commodity Futures Association of Japan (CFAJ) Costs

CFAJ is an association registered with both METI and MAFF, in accordance with the provisions of Article 245 of the CDA. CFAJ is mandated to register commodity futures sales representatives.

CFAJ related cost comprised of Entrance Fee (JPY 1,000,000), Registration Fee for Sales Representative (JPY 1,000 per representative), Annual Due (JPY 2,830,100 per year for fiscal year 2011), Proportional Due, etc.

Website of the Commodity Futures Association of Japan - new member page (Japanese only): <http://www.nisshokyo.or.jp/sinki/sinki.html>

XI. Overall Membership Cost Examples

(1) Full Clearing Membership

(JPY Million)	Initial Deposit	Entry Costs	Yearly Costs	Apprx. Total Upfront	Fee per contract (JPY)
TOCOM	7.0	25.0	3.4	35.4	55
JCCH	160.0	0.1	0	160.1	3 (+10 deposit)
NFPF	4.0	0.2	0.2	4.4	3
CFAJ*	0	1.0	2.8	3.8	-
total:	171.0	26.3	6.4	203.7	72

* In addition to the above, CFAJ requires Proportional Due as a yearly cost.

The above approximate figures reflect the following:

- Brokerage Membership for all TOCOM Market Divisions
- Individual Clearing Participant Status at JCCH
- NFPF Membership
- CFAJ Membership for an applicant with over JPY 5 billion in net assets and less than 50 registered sales representatives

Note: Some products have different TOCOM Exchange Fees and JCCH's deposit and other fees per contract (e.g: mini contracts are cheaper; clearing fee on delivery is only JPY 1). The above chart only reflects the most general fees.

(2) Affiliate Membership – Precious Metals Market Division

(JPY Million)	Initial Deposit	Entry Costs	Yearly Costs	Apprx. Total Upfront	Fee per contract (JPY)
TOCOM	3.0	1.0	0.1	4.1	Charged by the broker
JCCH	N/A	N/A	N/A	N/A	
NFPF	N/A	N/A	N/A	N/A	
CFAJ	N/A	N/A	N/A	N/A	
total:	3.0	1.0	0.1	4.1	

The above approximate figures reflect the following:

- Affiliate Membership for TOCOM Precious Metals Market Division