

(As of August 10th, 2011)

Precious Metals Market

Hedge Positions Handling Procedure

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Article 1 (Definition of Hedge Position)

1. A hedge position means a position established in the futures market for the purpose of offsetting the price fluctuation risk arising from transactions in spot market or pertaining to physical commodities type ETFs in the course of the business activities of a commercial person and others, by carrying out an opposite transaction against such spot transactions.

Article 2 (Specific Examples of Hedge Position)

1. Hedge position defined in Article 1 shall encompass the transactions and positions prescribed in each of the following items; provided, however, that such transaction or position in each of the cases prescribed may not exceed the contract quantity of cash transactions or transactions pertaining to physical commodities type ETFs to be offset by the hedge position:
 - (1) A short position in the futures market established against a long position in the same commodity or a purchase contract to buy the same commodity at a fixed price in the spot market;
 - (2) A long position in the futures market established against a sale contract to sell the same commodity in the spot market;
 - (3) A short position or a long position established against a long or short position in the same commodity in the spot market arising from a forward contract;
 - (4) A short position or a long position established against a long or short position in a commodity other than the commodity underlying the futures whose value fluctuates in a manner that is essentially related to the futures price;
 - (5) A short position or a long position in the futures market established against a transaction pertaining to physical commodities type ETFs; and
 - (6) In addition to the positions prescribed in each of the items above, positions that are approved by the Exchange as hedge positions.

Article 3 (Person Eligible for Submitting Application for Hedge Position)

1. Persons eligible for submitting application for hedge position shall be limited to commercial persons trading in said commodity in the spot market or commercial operators engaging in transactions pertaining to physical commodities type ETFs.

Article 4 (Application and Approval of Hedge Position)

1. A person applying for hedge position shall submit an application in a format prescribed by the Exchange containing necessary matters including the amount, hedging purpose, etc. together with the documents supporting them (certificate of inventory, sale and purchase contract, etc.).
2. A hedge position may be established up to the quantity prescribed in the following article if it is approved by the Exchange for the application prescribed in the preceding paragraph.

Article 5 (Overall Position Limit on Hedge Positions)

1. Overall limit on positions including hedge positions shall be the quantity determined by the Exchange, in consideration of domestic and global supply and demand for each commodity in the spot market, among other factors.
2. Overall limit on positions including hedge positions for the precious metals market shall be the quantities prescribed in each of the following items:
 - (1) Gold: No overall limit
 - (2) Silver: No overall limit
 - (3) Platinum: Up to three times as the prescribed position limit; and
 - (4) Palladium: Up to two times as the prescribed position limit.
3. Positions other than hedge positions shall be subject to the position limit prescribed by the

Precious Metals Market Management Detailed Rules.

Article 6 (Investigation, Explanation of Circumstances, etc. Concerning Hedge Positions)

1. When the Exchange deems it necessary, the Exchange may require the applicant to submit supporting documents and other relevant material concerning the hedge positions or conduct an investigation on the hedge positions.
2. The applicant referred to in the preceding paragraph shall provide explanation about the appropriateness of the transaction pertaining to the hedge positions during the investigation conducted by the Exchange.
3. If, as a result of the investigation by the Exchange, the Exchange judges that any of the positions pertaining to the application prescribed in Article 4.1 is not a hedge position, the Exchange shall impose strict sanctions on the applicant in accordance with the rules and regulations of the Exchange.

Article 7 (Others)

1. A hedge position shall be promptly closed after it served its purpose.
2. An approved hedge position shall be promptly closed if the overall position limit is violated as a result of the carry-forward of existing contract months.
3. Hedge positions may be settled by delivery.

Article 8 (Revision)

1. Revisions to this Procedure shall be approved by the President & CEO.

Supplementary Provisions

This Procedure shall be in effect as of December 1, 2008.