

Rubber Delivery Detailed Rules

DISCLAIMER:

This English translation is being provided for informational purposes only and represents a desire by the Exchange to promote better understanding of the Exchange by non-resident participants. While care has been taken to ensure that the translation is accurate and complete, Tokyo Commodity Exchange, Inc. accepts no liability or responsibility for any loss or damages, including trading losses, that may be incurred from any inaccuracy or omission in the English translation. In the event of discrepancies between the English version and the original Japanese version, the Japanese version shall prevail. Any dispute that may arise within or without a court of law with regard to the meaning of the words, provisions and stipulations of the rules, regulations and agreements shall be resolved in accordance with the Japanese texts.

Article 1 (Purpose)

1. These Detailed Rules shall, based on the provisions of Article 3.8 of the Market Rules, prescribe matters necessary for delivery in the Rubber Market.

Article 2 (Good Delivery Material)

1. The Good Delivery Material in standard commodity futures transactions (“futures transactions”) shall be ribbed smoked sheets No. 3 and No. 4 in accordance with international standards.
2. The differential between the standard grade Good Delivery Materials and the non-standard grade Good Delivery Materials shall be determined by the Exchange, using the market value on the tenth day (or the following business day if the day falls on a holiday) of the month in which the delivery is to be carried out as a basis.

Article 3 (Requirements for Good Delivery Material)

1. The Good Delivery Material shall satisfy the following requirements.
 - (1) The Good Delivery Material shall be those delivery goods that the customs formalities for import have been completed (by the day immediately preceding the day on which the delivery goods are determined or, in the case of early delivery, by the day on which such delivery is proposed), but within one year from the day on which the customs formalities for import were completed, and stored at the warehouse, designated by the Exchange pursuant to the provisions of Article 49.1.1 of the Market Rules (“approved warehouse”).
 - (2) Each delivery unit shall consist of a bale of the same delivery goods (meaning the delivery goods of the same grade, contract, bill of lading (including those separately prepared for each container), shipper, and packing house; the same shall apply hereinafter).
 - (3) Each bale shall be indicated with the INT mark, and if the delivery goods are the product of Malaysia, Singapore, or Thailand, they shall be provided with the mark or registration number of the packing house printed on the bale.
 - (4) The weights indicated on the bale shall consist of one of the following:
 - 100 kg
 - 101.6 kg
 - 111.11 kg
 - 112.9 kg
 - 113 kg
 - 113.4 kg

Article 4 (Calculation of Weight of Delivery Goods)

1. The minimum measuring unit for delivery goods shall be kilograms. Any resulting fraction that is less than one kilogram shall be rounded at the first decimal place to the nearest whole number.

Article 5 (Requirements for Special Case of Delivery)

1. In cases the additional delivery point applied, pursuant to the provisions of Article 49.2 of the Market Rules, delivery shall be subject to the following provisions.
 - (1) Delivery shall be made only for contract months approved by the Exchange.
 - (2) The delivery prescribed in the preceding item may be carried out with a warehouse receipt, issued in a month which falls under the relevant contract month by one of the approved warehouses located in Shizuoka and Aichi Prefectures.
 - (3) If the deliverable period of warehouse receipt prescribed in the above Item 2 is beyond the contract month deemed necessary by the Exchange pursuant to the Item

1, such warehouse receipt may be used for the contract month within said period notwithstanding the provisions of Item 1

Article 6 (Delivery Method)

1. The delivery in futures transactions shall be conducted in the following manner.
 - (1) With respect to goods to be delivered, the seller shall prepare and submit to the Exchange the Delivery Tender Notice and Inspection Instruction prescribed by the Exchange by 1:00 p.m. of the business day immediately following the Last Trading Day of the current contract month. If the delivery goods qualify as ribbed smoked sheet No. 4, an Inspection Certificate issued by the Exchange certifying that they are qualified as such shall be attached thereto.
 - (2) Trade Members, etc. (meaning Trade Members, Broker Members, and Remote Trade Members; the same shall apply hereinafter) with concurrent positions shall be both the seller and the buyer for delivery pertaining to such concurrent positions.
 - (3) With respect to delivery goods other than those to be delivered for the settlement of concurrent positions, if there are two or more buyers, the delivery goods to be received by each buyer shall be determined based on an allotment, or lot drawing, in accordance with the following method. Such an allotment, or lot drawing, shall be conducted at a time indicated by the Exchange after the Exchange receives the Delivery Tender Notice and Inspection Instruction, prescribed in Item 1, in the presence of the buyers pertaining to said delivery (including their agents). If any of the buyers fail to appear by the time indicated by the Exchange, an employee of the Exchange shall act for the absent buyer:
 - A. If a buyer wishes to receive delivery goods of a defective grade as prescribed in Article 21.2.1, among the delivery goods offered for delivery, the Exchange may allot such defective grade goods to buyers on a priority basis;
 - B. With respect to Good Delivery Material offered for delivery other than commodities of standard grade, the delivery goods to be received by each buyer shall be determined based on an allotment made in proportion to the transaction amount of each buyer (any resulting fractions less than the delivery unit shall be adjusted to the delivery unit);
 - C. With respect to a delivery lot containing standard grades, offered for delivery where the deliverable period expires by the day immediately preceding the Last Trading Day of the following contract month, the delivery goods to be received by each buyer shall be determined based on an allotment made in proportion to the transaction amount of each buyer (any resulting fractions less than the delivery unit shall be adjusted to the delivery unit); and
 - D. With respect to delivery goods other than those allotted pursuant to the provisions of Sub-items A, B, and C, a lot drawing shall be conducted to determine the order of drawing lots. Upon determination of the order of drawing lots, the Exchange shall conduct another lot drawing according to said order to determine the delivery goods to be received by each buyer.
 - (4) Upon determination of the delivery goods to be received by each buyer, the Exchange shall notify the buyer and the seller of said delivery thereof without delay. The Exchange shall deliver the Inspection Instruction pertaining to said delivery goods to the buyer.
 - (5) The Exchange shall notify the buyer and the seller pertaining to said delivery of the delivery payment and the amount of consumption tax (including local consumption tax; the same shall apply hereinafter) applicable thereto (the sum of the delivery payment and the amount of consumption tax applicable thereto shall be hereinafter referred to as "Delivery Payment") by noon of the business day immediately preceding the delivery day.
 - (6) The buyer shall, by noon of the delivery day prescribed in Article 50 of the Market Rules, deliver the Delivery Payment to the Exchange and receive the warehouse receipt in exchange therefore from the Exchange.
 - (7) The seller shall deliver to the Exchange the warehouse receipt of the delivery goods

by 1:00 p.m. of the business day immediately preceding the delivery day and receive the Delivery Payment.

- (8) With respect to delivery carried out at an approved warehouse located in a region deemed necessary by the Exchange, the Exchange may collect from the seller a freight charge and an insurance premium prescribed by the Exchange and for delivery to the buyer. In this case, the freight charge and the insurance premium shall be determined for each contract month by the last day of the month immediately preceding the month containing the delivery day of said contract month.
- (9) In cases where the provisory clause of Article 54.1 of the Market Rules apply to the above Items 6 and 7, the term “warehouse receipt” shall be replaced with “Delivery Order.”

Article 7 (Loss and/or Damage after Submission of Warehouse Receipt)

1. In cases where all or part of the delivery goods described in a warehouse receipt are lost or damaged after the seller has submitted the warehouse receipt to the Exchange but before the buyer receive it from the Exchange for reasons not attributable to the delivery parties, the loss shall be borne by the seller.
2. In the case outlined in the preceding paragraph, the seller shall notify the Exchange of the occurrence of the loss or damage without delay. Also, the seller shall submit a warehouse receipt of substitutes for the lost or damaged delivery goods and perform the delivery within five (5) business days of the business day immediately following the date of said notification.
3. Notwithstanding the provisions of Paragraph 2, in cases where the seller is unable to supply all or part of such substitutes, the seller may refuse to supply such portion, subject to the approval of the Exchange. In this case, the Exchange shall deem the delivery to have been completed and return to the buyer the amount of the Delivery Payment corresponding to the undelivered portion of the substitutes for the lost or damaged delivery goods.
4. In the cases outlined in Paragraphs 2 or 3 above, the buyer may not refuse to receive delivery.

Article 8 (Early Delivery)

1. In cases where the seller or the buyer seeks a counterparty for Early Delivery in futures transactions prescribed in Article 56 of the Market Rules, they shall make an application for Early Delivery between the first day of the current month (to be the following business day if the day falls on a holiday) to 2:30 p.m. of the two business day before to the Last Trading Day of the current contract month. For this purpose, either the seller or the buyer shall submit necessary documents to the Exchange; for the seller, prescribed by the Exchange for the delivery goods to offer for delivery, a Delivery Tender Notice, an Inspection Instruction, a document indicating the last delivery day, and, if delivery goods qualifying as ribbed smoked sheet No. 4 are offered for delivery, an Inspection Certificate issued by the Exchange certifying that they are qualified as such; and for the buyer, a document indicating the brand and the amount of the delivery goods to accept, the Last Delivery Day, and specific requirements for the delivery goods, if any. In this case, if either party intends to specify the business day immediately following the application day for Early Delivery as the last delivery day, it shall make an application by noon of said application day.
2. Upon receipt of an application for Early Delivery, the Exchange shall, without delay, seek a counterparty by notifying Trade Members, etc. of the contents of the documents prescribed in the preceding paragraph.

3. Trade Members, etc. who made an application for Early Delivery may not offset the position for the proposed delivery amount, nor cancel the application, nor change the terms and conditions of the application. However, this shall not apply to the portion for which no offer for acceptance has been made by the cut-off time prescribed in Paragraph 5.
4. In cases where Trade Members, etc., who hold opposite positions against positions for which Early Delivery has been proposed, are willing to accept all or part of the proposed Early Delivery, they shall notify the Exchange of their intention to accept. For this purpose, both the seller and the buyer shall submit necessary documents to the Exchange; for the seller, a Delivery Tender Notice prescribed by the Exchange for the delivery goods, an Inspection Instruction, and, if delivery goods qualifying as ribbed smoked sheet No. 4 are offered for delivery, an Inspection Certificate issued by the Exchange certifying that they are qualified as such; and for the buyer, a document indicating the brand and the amount of the delivery goods to accept.
5. The offer for acceptance prescribed in the preceding paragraph shall be made by 2:30 p.m. on the business day immediately preceding the last delivery day specified by the Trade Members, etc. who has made an application for Early Delivery. The Exchange shall determine the counterparty sequentially according to the order of the day on which the applications were accepted. In cases where there are several competing applicants, the Exchange shall determine the counterparty by conducting a lot drawing on the daily in conformity with the provisions of Article 6.3.
6. Trade Members, etc. who make an application for Early Delivery, or offer for acceptance thereof, may not refuse to accept an Early Delivery on the grounds that the amount to be delivered falls short of the proposed amount.
7. The delivery price for Early Delivery shall be the settlement price of the current contract month as of the day on which the seller or the buyer of the delivery goods is determined, and the positions for which the delivery price has been determined shall be excluded from the unrealized profit and loss calculation starting from the following Clearing Period.
8. With respect to positions that are determined to be settled by Early Delivery before the differential for the current contract month is determined, pursuant to the provisions of Article 2.2, the differential that was applied to the previous contract month shall be used as the differential for the current contract month.
9. The buyer in Early Delivery may not request inspection or measuring provided for in Article 19, or make a claim for a deficiency pursuant to the provisions of Article 21, with respect to the delivery goods in Early Delivery.
10. The time and day for an Early Delivery shall be noon of the business day immediately following the day on which the seller and the buyer of the delivery goods are determined.
11. The buyer in Early Delivery shall, by the delivery time and day, make the Delivery Payment to the Exchange and receive the warehouse receipt in exchange therefore from the Exchange.
12. The seller in Early Delivery shall deliver to the Exchange the warehouse receipt of the delivery goods to be delivered by the delivery time and day and receive the payment of the Delivery Payment in exchange therefore from the Exchange.
13. The provisions of Article 6.1.9 shall apply mutatis mutandis to receipt and payment of the warehouse receipt and the Delivery Payment between the seller and the buyer in Early

Delivery.

Article 9 (Mutually Consented Early Delivery)

1. Trade Members, etc. holding positions in the current contract month may make delivery for these positions prior to the business day immediately preceding the Last Trading Day of the current contract month, based on mutual consent between the seller and the buyer ("mutually consented Early Delivery"), provided, however, this shall not apply to the amount that other Trade Members, etc. holding positions for the current contract month raise an objection.
2. Trade Members, etc. intending to carry out a mutually consented Early Delivery shall submit to the Exchange an application form for mutually consented Early Delivery, signed jointly by the seller and the buyer, and the documents prescribed in Article 8.1, by noon of the business day immediately preceding the delivery day of said mutually consented Early Delivery.
3. In cases where other Trade Members, etc. holding positions for the current contract month intend to raise an objection to a mutually consented Early Delivery, pursuant to the provisions of the preceding paragraph, they shall submit to the Exchange a statement explaining the objection, and the documents prescribed in Article 8.1, by 2:30 p.m. of the business day immediately preceding the delivery day of said mutually consented Early Delivery. If the Exchange judges that there is a justifiable reason for the objection, the Exchange shall cause the mutually consented Early Delivery to be made for the amount calculated by deducting the amount pertaining to said objection from the amount originally proposed for the mutually consented Early Delivery.
4. With respect to the amount that was deducted from the amount originally proposed for the mutually consented Early Delivery under the preceding paragraph, the Exchange shall deem that an application for Early Delivery, or an offer for acceptance made pursuant to the provisions of the preceding article by the applicant for said mutually consented Early Delivery, or by the Trade Members, etc. who raised an objection to said mutually consented Early Delivery, and process the amount in accordance with the provisions of the same article.
5. The provisions of Paragraphs 2, 3, and 6 through 13 of the preceding article shall apply mutatis mutandis to mutually consented Early Delivery.

Article 10 (Early Delivery for Concurrent Positions)

1. Trade Members, etc. holding concurrent positions for the current contract month may make delivery for these positions prior to the business day immediately preceding the Last Trading Day of the current contract month ("Early Delivery for concurrent positions").
2. The provisions of Paragraphs 2, 3, and 7 through 13 of the Article 8 and Paragraph 2 of the preceding article shall apply mutatis mutandis to Early Delivery for concurrent positions.

Article 11 (Warehouse Receipt)

1. The warehouse receipt, or Delivery Order prescribed in Article 54.1 of the Market Rules, shall describe the following matters, satisfy all the requirements for transfer, and be prepared for each delivery unit of the same brand; provided, however, that in cases where delivery is carried out based on the Rubber Warehouse Receipt Handling Procedure, said documents may be prepared per an amount corresponding to the integral multiple of the delivery unit.

- (1) Brand and other specification.
- (2) Amount.
- (3) Place of shipment.
- (4) Name of the foreign ship, import port, date of port entry, date on which customs formalities for import were completed, and if applicable, whether the delivery goods are transported from a commercial warehouse by land.
- (5) Indication of standard weight or nonstandard weight, distinction between the bales based on the standard weight and those based on the nonstandard weight, and the existence or nonexistence of damage.
- (6) Provider of fire insurance and the amount of insurance coverage provided thereby.

Article 12 (Weight Tolerance of the Indicated Weight of Delivery Goods)

1. In cases where the indicated weight of the delivery goods deviates from the contract weight within a range of plus or minus 2.1/100 (2.1%) of the contract weight, but equal to the following weight per delivery unit in each category of indicated weight on the bale set forth below, the buyer shall accept the delivery goods and complete the settlement based on the indicated weight:

Indicated weight on the bale	Weight per Delivery Unit
100 kg	5,000 kg (50 bales)
101.6 kg	5,080 kg (50 bales)
111.11 kg	5,000 kg (45 bales)
112.9 kg	5,080.5 kg (45 bales)
113 kg	5,085 kg (45 bales)
113.4 kg	5,103 kg (45 bales)

Article 13 (Weight Tolerance of Delivery Goods for Cases of Deficiency)

1. In cases where the difference between the weight of the delivery goods and the indicated weight remains 0.5/100 (0.5%) or less of the indicated weight ("weight deficiency limit"), the buyer shall accept the delivery goods and complete the settlement based on the indicated weight.

Article 14 (Inspection and Measuring by the Buyer)

1. The buyer whose delivery goods are determined, pursuant to the provisions of Article 6, shall conduct inspection and measuring of the delivery goods offered by the seller prior to delivery, except for cases set forth in each of the following items; provided, however, that the cut-off time for such inspection and measuring shall be 5:00 p.m. of the business day immediately following the day on which the delivery goods are determined.
 - (1) Where the buyer requests an inspection and measuring, provided for in Article 19, by 10:00 a.m. of the business day immediately following the day on which the delivery goods are determined.
 - (2) Where the Inspection Certificate, provided for in Article 19, is attached to the delivery goods.
2. The costs incurred for conducting an inspection and measuring, pursuant to the provisions of the preceding paragraph, shall be borne by the buyer.

Article 15 (Unpacking of Delivery Goods)

1. In cases where delivery is carried out pursuant to the provisions of Article 6, or where an application for or acceptance of Early Delivery, is made pursuant to the provisions of Article 8, the seller shall unpack the delivery goods offered for delivery, as prescribed in Article 20.1.1, per delivery lot. The unpacking cost shall be borne by the seller.

2. The provisions of the preceding paragraph shall apply mutatis mutandis to requests for inspection made prior to the determination of the delivery goods.

Article 16 (Inspection Date)

1. The inspection date prescribed in Article 19.1 shall be as prescribed in each of the following items; provided, however, that where it is specifically requested by a Member, an ad hoc inspection may be conducted on a day other than those prescribed in below Item 1.
 - (1) For quality inspection
On the 10th day of each month (to be the following business day if the day falls on a holiday); the business day immediately preceding the Last Trading Day of the current contract month; and any day falling within the period from the second business day following the Last Trading Day of the current contract month to the last business day of the month.
 - (2) For weight measuring
On a day deemed appropriate by the Exchange.
2. With respect to inspection dates prescribed in Article 16.1.1 that fall on, or after the second business day following the Last Trading Day of the current contract month, the Exchange shall determine the appropriate inspection day(s) upon request or deficiency claim by a Member.

Article 17 (Delivery at Approved Warehouse in a Region Other Than Tokyo 23 Wards, Yokohama City and Kawasaki City in Kanagawa Prefecture)

1. In cases where delivery goods qualifying as ribbed smoked sheet No. 3 are to be delivered at an approved warehouse in a region other than Tokyo 23 wards, Yokohama City and Kawasaki City in Kanagawa Prefecture, for purposes of delivery prescribed in Article 6 or Early Delivery prescribed in Article 8, the seller shall submit to the Exchange a Delivery Tender Notice and an Inspection Instruction, prescribed by the Exchange pertaining to the delivery goods, and attach thereto an Inspection Certificate issued by the Exchange certifying that said delivery goods can be offered for delivery; unless deemed unnecessary by the Exchange.

Article 18 (Request for Inspection Prior to the Determination of Delivery Goods)

1. With respect to the delivery goods for which physical delivery to an approved warehouse has been completed, a Member intending to request an inspection or measuring prior to the determination of the delivery goods shall prepare and submit to the Exchange a request for inspection prescribed by the Exchange and attach thereto a provisional measurement table issued by the approved warehouse with respect to said delivery goods, by the fifth business days prior to the inspection date (or by the eighth business day prior to the inspection date, if the delivery goods pertaining to the request for inspection are stored in an approved warehouse in a region other than Tokyo 23 wards, and Yokohama City and Kawasaki City in Kanagawa Prefecture). However, the provisional measurement table may be submitted later, with a due date separately approved by the Exchange.
2. The provisional measurement table, pursuant to the provisions of the preceding paragraph, shall describe weights measured for each bale with respect to the number of bales prescribed in each of the following items.
 - (1) Where the delivery lot subject to inspection is up to 24 delivery units:
10 bales (or 20 bales if a deficiency in the average weight of said 10 bales exceeds the limit permitted under the provisions of Article 13).
 - (2) Where the delivery lot subject to inspection exceeds 24 delivery units:
Additional 10 bales for each increase of 24 delivery units (or twice said bales if a deficiency in the average weight of said bales exceeds the limit permitted under the

provisions of Article 13).

3. In cases where the seller intends to supply delivery goods without a valid Inspection Certificate issued by the Exchange, for purposes of delivery prescribed in Article 6, or Early Delivery prescribed in Article 8, the seller shall attach the provisional measurement table, prescribed in the preceding two paragraphs, to the Delivery Tender Notice and Inspection Instruction prescribed by the Exchange.

Article 19 (Inspection and Measuring by the Exchange)

1. In cases where a request for inspection or measuring is made by a Member concerning delivery goods at the Exchange, or where it is necessary to conduct inspection or measuring of such delivery goods for the handling of deficiencies, the Exchange shall conduct an inspection or measuring of the delivery goods on the inspection date prescribed in Article 16 and issue an Inspection Certificate. The Exchange may entrust such inspection or measuring to third parties approved by the Exchange if it is deemed necessary.
2. The Inspection Certificate prescribed in the preceding paragraph shall be effective until the last day of the month containing the sixth day after the issuance date, unless the storage place for said delivery goods are changed or said delivery goods are damaged after the Exchange completes inspection or measuring of them.
3. If there is a valid Inspection Certificate issued pursuant to the preceding two paragraphs, with respect to the delivery goods offered for delivery, the seller shall attach the Inspection Certificate to a Delivery Tender Notice prepared in accordance with the provisions of Articles 6, and 8 through 10.
4. The Exchange will not conduct inspections or measurings with respect to delivery goods for which inspection or measuring has been conducted in accordance with the paragraph 1, and if such Inspection Certificate remains valid.
5. When the Exchange has conducted an inspection or measuring in accordance with a Member request, it will collect from said Member (or from the seller if the inspection was conducted in accordance with the request by the buyer) the inspection or measuring fee prescribed in each of the following items, as well as the actual amount of any necessary incidental costs. However, the applicable inspection or measuring fee shall be half the amount specified below if the inspection or measuring is conducted on the inspection date prescribed in Article 16.1, prior to the Last Trading Day of the current contract month; and 1.5 times the amount specified below if inspection or measuring is conducted on an ad hoc basis in accordance with the provisory clause of Article 16.1.
 - (1) Inspection fee:
 - A. For first-time inspections
 - Where the delivery lot subject to inspection is up to 24 delivery units:
18,000 yen
 - Where the delivery lot subject to inspection exceeds 24 delivery units:
An additional 4,000 yen for each increase of 12 delivery units
 - B. For any subsequent re-inspections
10,000 yen per delivery lot subject to inspection
 - (2) Measuring fee:
10,000 yen per delivery lot subject to inspection

Article 20 (Inspection and Measuring Methods)

1. The method for inspection and measuring conducted in accordance with the provisions of Articles 14 and 19 shall be as follows: Regarding Article 14, the parties shall extract the number of bales, specified below, per delivery lot subject to inspection; and in regarding

Article 19, a member of the Delivery & Quality Committee shall do so in the presence of the parties. For inspection, the quality of the extracted bales shall be judged based on international standards; for measuring, the weight of the extracted bales shall be measured by using a measure gauge of an approved warehouse.

(1) For inspection

Where the delivery lot subject to inspection is up to 24 delivery units:
10 bales

Where the delivery lot subject to inspection exceeds 24 delivery units:

An additional 10 bales shall be extracted per each increase of 24 delivery units.

Provided, however, that each increase of 24 delivery units shall be grouped as one (1) lot.

(2) For measuring

For each delivery lot subject to inspection, the number agreed between the parties within the number of bales corresponding to 10/100 (10%) of the delivery lots, subject to inspection.

2. If an objection is raised with respect to the bales extracted by the parties, or a member of the Delivery & Quality Committee in accordance with the provisions of the preceding paragraph, the number of bales desired by the parties, or the member of the Delivery & Quality Committee, shall be extracted additionally. In such cases, the provisions of Articles 19.5 and 21.6 shall apply mutatis mutandis to the sharing of the additional costs.
3. Where a sample is extracted for inspection purposes, in accordance with the provisions of the preceding two paragraphs, for each bale extracted the weight of the sample shall be not more than 0.4 kilograms.

Article 21 (Handling of Deficient Delivery Lots)

1. In cases where the buyer determines delivery goods to be a deficient delivery lot as a result of inspection or measuring, conducted in accordance with the provisions of Article 14, the buyer may submit a written claim against the Exchange and the seller, in a format designated by the Exchange, by 5:00 p.m. of the business day immediately following the day on which the delivery goods are determined, unless an inspection or measuring has been conducted with respect to said delivery goods by the Exchange and the Inspection Certificate is currently effective.
2. When receiving a claim for deficiency pursuant to the provisions of the preceding paragraph, the Exchange shall conduct inspection or measuring in accordance with the provisions of Article 19. If, as a result of such inspection or measuring, the Exchange determines that there is no deficiency, it will reject the claim. Otherwise, the Exchange shall handle the deficiency in the following manner.
 - (1) In cases where the deficiency is related to wrapping and the extent thereof is insignificant, if the Exchange can determine that delivery can be completed based on a price discount (such deficient delivery goods shall be hereinafter referred to as "defective grade goods"), and the Exchange shall allow delivery to be completed based on a price discount, calculated by multiplying a price determined by the Exchange with the delivery amount.
 - (2) In cases where a deficiency related to the quality or wrapping is significant and the Exchange determines that it is inappropriate to conduct the delivery, the Exchange shall require the seller to supply substitutes for the delivery goods by the fifth (5) business day immediately following the day on which such determination is made, in order to complete the delivery. In this case, in supplying substitutes for the delivery goods, the seller shall submit to the Exchange the Delivery Tender Notice prescribed by the Exchange and the Inspection Certificate issued by the Exchange certifying that substitutes for the delivery goods are qualified goods (including defective grade goods if they are qualified as ribbed smoked sheet No. 3).
 - (3) If the seller fails to supply the substitutes required under the above item, or the

- substitute also has a serious deficiency and is deemed inappropriate for delivery, the Exchange shall deem the delivery to have never occurred.
- (4) In the case of a deficiency in the weight of the delivery goods exceed the tolerance level prescribed in Article 13, the Exchange shall require the seller to accept a price discount by the amount calculated with respect to the total shortage portion based on the final price for the current contract month as of the day on which the delivery goods are determined (if there is a price discount imposed under the provisions of Item 1, the amount of the price discount shall be added) in order to complete the delivery.
3. With respect to the delivery goods that are determined to be deficient as a result of the inspection or measuring conducted, pursuant to the provisions of Article 19 (excluding cases in which inspection or measuring is conducted for the handling of deficiency), the delivery thereof shall be handled in accordance with the provisions of each item of the preceding paragraph.
4. In cases where the Exchange requires the seller to supply substitutes for delivery goods in order to complete delivery, pursuant to the provisions of Paragraph 2.2, if substitutes for delivery goods are supplied on a day falling after the last business day of the current month, the Exchange shall collect from the seller, and deliver to the buyer, the penalty for late delivery, which is calculated by multiplying 3/1000 of the delivery price by the delivery amount per day.
5. Upon determination of the handling procedure for deficient delivery goods, pursuant to the provisions of Paragraphs 2 or 4, the Exchange shall notify the parties concerned thereof without delay and the parties concerned shall follow its determination.
6. The costs incurred for inspection or measuring by the Exchange, in connection with the handling of deficiency under the provisions of Paragraph 2, shall be collected from the following parties in accordance with the categories prescribed below.
- (1) In the case of inspection: The seller
- (2) In the case of measuring:
- A. Where the claim for deficiency is rejected as it is determined that there is no deficiency, the buyer; and
- B. Where it is determined that there is a deficiency and the deficiency is handled in accordance with the provisions of Paragraph 2.4, the seller.
7. In cases where delivery is completed during a period subsequent to the period prescribed in Article 55 of the Market Rules as a result of the deferment of settlement provided for in Article 23, the storage cost and insurance premium pertaining to the subsequent period shall be borne by the seller, unless the provisions of Article 82 of the Market Rules apply.

Article 22 (Withdrawal of Claim for Deficiency)

1. In cases where the buyer reaches agreement with related parties to withdraw its claim for deficiency made under the provisions of Article 21.1, the buyer may withdraw the claim by notifying the Exchange to that effect, in writing, by the business day immediately preceding the inspection date. In the case where bales have been opened, pursuant to the provisions of Article 20, associated costs shall be borne by the buyer.
2. Members may withdraw a request for inspection or measuring, provided for in Article 19.1, by notifying the Exchange of that effect in writing by the business day immediately preceding the inspection date.

Article 23 (Deferment of Settlement for Delivery)

1. With respect to deliveries where the Exchange recognizes that the settlement cannot be completed by the cut-off time, under circumstances in which the inspection or measuring,

prescribed in Article 19 is to be conducted, or the deficiency is to be handled in accordance with the provisions of Articles 21.2 or 21.3, notwithstanding the provisions of Articles 6.6 and 6.7, the Exchange shall require the buyer to deposit the Delivery Payment with the Exchange and the seller to deliver the warehouse receipt or Delivery Order to the Exchange by said cut-off time, and defer the settlement until the delivery becomes possible.

Article 24 (Avoidance of Manufacturer that has Provided Goods Containing a Foreign Substance)

1. In cases where a foreign substance, such as a scrap of iron, has been mixed in the bale of delivery goods, the Exchange shall conduct a factual investigation, and when deemed necessary, may prohibit the shipper, or the packing house that provided such delivery lots, from providing further delivery lots manufactured by the same manufacturer, until it is determined that the manufacturer has implemented a remedial measure to prevent such accident.

Article 25 (Revision or Abolition)

1. Revision or abolition to these Detailed Rules shall be approved by the President & CEO.

Supplementary Provisions

These Detailed Rules shall be in effect as of December 1, 2008.

Supplementary Provisions

Revisions to Article 1 (Purpose), Article 3 (Requirements for Good Delivery Material), Article 5 (Requirements for Special Case of Delivery), Article 6 (Delivery Method), Article 8 (Early Delivery), Article 9 (Mutually Consented Early Delivery), Article 11 (Warehouse Receipt), and Article 21 (Handling of Deficient Delivery Lots) shall be in effect as of May 7, 2009.

Supplementary Provisions

Revisions to Article 6.2 (Delivery Method) shall be in effect as of October 8, 2009 when Article 87 (Category of Membership) of the Market Rule been effective.

Supplementary Provisions

Revisions to Article 12 (Weight Tolerance of the Indicated Weight of Delivery Goods), and Article 18 (Request for Inspection Prior to the Determination of Delivery Goods) through Article 20 (Handling of Deficient Delivery Lots) shall be in effect as of August 9, 2010 when the revisions of the Market Rules been effective, and applied to the delivery of March 2011 contract month and subsequent contract months.