

(As of August 10th, 2011)

Rubber 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 in the course of the business activities of a commercial person, 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 spot transactions 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; and
 - (5) 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.

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 approved by the Exchange for the application prescribed in the preceding paragraph.

Article 5 (Overall Limit on Hedge Positions)

1. No overall limit on positions including rubber hedge positions will be imposed.

Article 6 (Restrictions on Hedge Positions)

1. A hedge position shall be promptly closed after it served its purpose.
2. With respect to the current contract month, an approved hedge position exceeding the prescribed position limit shall be closed until the remaining position falls below the position limit prescribed by the Rubber Market Management Detailed Rules by the sixth business day from the last trading day of said contract month, unless otherwise approved by the Exchange.
3. With respect to delivery, hedge positions exceeding the position limit prescribed by the Rubber Market Management Detailed Rules may not be settled by delivery, unless deemed necessary by the Exchange.

Article 7 (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 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.

Supplementary Provisions

The revisions to Article 6 (Restrictions on Hedge Positions) shall be in effect as of May 7, 2009.