

Clearing and Settlement Rules

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Article 1 (Purpose)

1. These Rules shall, pursuant to Article 3.13 of the Market Rules, prescribe necessary matters for clearing and settlement pertaining to transactions executed in commodity markets of the Exchange.

Article 2 (Compensation for Damage Caused by Default)

1. When a Clearing Participant (limited to someone who is also a Member; same shall apply hereinafter in this Article and Article 4.1.1) has caused damage to the Japan Commodity Clearing House Co., Ltd. ("Clearing House") as a result of default on liabilities arising from transactions on a market of the Exchange, the Clearing House shall, with regard to the funds deposited as Guarantee Funds for participating the TOCOM market, pertaining to said transactions of the Clearing Participant who has caused the damage, have the right to receive repayment in preference over other creditors.
2. Notwithstanding the provisions of the preceding paragraph, the right of a customer to receive preferential repayment, under the provisions of Article 113 of the Market Rules, shall take precedence over the right of the Clearing House with regard to the Guarantee Funds set forth in the same paragraph.

Article 3 (Measures Related to Losses or Damages of the Clearing House)

1. Where the Clearing House incurs losses or damages as a result of a Clearing Participant's default on liabilities, arising from transactions on a market of the Exchange, the Exchange shall compensate for the losses under the guarantee consigned by such Clearing Participant within the scope of the agreement previously entered into with the Clearing House.

Article 3-2 (Special Provisions for Measures Related to Losses or Damages of the Clearing House)

1. Notwithstanding the provisions of the preceding Article, if the Exchange, the Discontinued Commodity Exchange, or the Clearing House intends to establish special provisions for the handling of the transfer of positions and order processing or other relevant matters pursuant to the provisions of Part 2 Chapter 8-3 of the Market Rules in any of the following cases and the Clearing House incurs losses or damages as a result of the handling of the case, the Exchange will not compensate for said losses or damages:
 - (1) Where a Member, etc. of the Discontinued Commodity Market is treated as a defaulting person in said commodity market and the Exchange also regards the Member, etc. as a defaulting person as of the establishment date of the Newly Established Commodity Market;
 - (2) Where a Member of the Newly Established Commodity Market becomes a defaulting person before the opening of the day session of the establishment date of the Newly Established Commodity Market (including cases where the Exchange regards the Member as a defaulting person); or
 - (3) Where a Member, etc. pertaining to the Discontinued Commodity Market becomes a defaulting person due to the failure to pay any Execution Price Differential, Settlement Price Differential, Strike Price Differential, and Option Premium (limited to those pertaining to the Discontinued Commodity Market calculated on its discontinuation date) that the Member, etc. is required to pay as a Clearing Participant pertaining to the Discontinued Commodity Market (limited to the amount of losses or damages arising from said failure).
 2. Notwithstanding the provisions of the preceding Article, if the Exchange, the Newly Established Commodity Exchange, or the Clearing House intends to establish special provisions for the handling of the transfer of positions and order processing or other relevant
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matters pursuant to the provisions of Part 2 Chapter 8-3 of the Market Rules in any of the following cases and the Clearing House incurs losses or damages as a result of the handling of the case, the Exchange shall compensate for said losses or damages:

- (1) Where a Member of the Exchange is treated as a defaulting person in a commodity market of the Exchange and the Newly Established Commodity Exchange also regards the Member as a defaulting person as of the establishment date of the Newly Established Commodity Market;
- (2) Where a Member, etc. of the Newly Established Commodity Market becomes a defaulting person before the opening of the day session of the establishment date of the Newly Established Commodity Market (including cases where the Newly Established Commodity Exchange regards the Member, etc. as a defaulting person); or
- (3) Where a Member of the Exchange becomes a defaulting person due to the failure to pay any Execution Price Differential, Settlement Price Differential, Strike Price Differential, and Option Premium (limited to those pertaining to the Discontinued Commodity Market calculated on its discontinuation date) that the Member is required to pay as a Clearing Participant pertaining to the Discontinued Commodity Market (limited to the amount of losses or damages arising from said failure).

Article 4 (Order to make up for the Losses or Damages)

1. When compensating losses or damages, in accordance with the agreement specified in the provisions of Article 3, due to a Clearing Participant's default on liabilities arising from transactions on a market of the Exchange, the Exchange shall make the relevant payment in the order set forth as follows.
 - (1) Deposits, etc. deposited by such Clearing Participant with the Exchange (excluding Guarantee Funds).
 - (2) Default Reserve Fund.
 - (3) Insurance proceeds under the Liabilities Insurance which covers the event of default.
2. Upon disbursement pursuant to Item 2 or Item 3 of the preceding Paragraph, the Exchange shall have indemnity rights against said Clearing Participant regarding the paid amount. Proceeds gained through exercise of the indemnity rights, in accordance with Item 2 of the same Paragraph, shall be transferred to the Default Reserve Fund.

Article 5 (Revision or Abolition of the Rules)

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

Supplementary Provisions

These Rules shall take effect on and after December 1, 2008.

Supplementary Provisions

Revisions to Article 2.2 shall be in effect on May 7, 2009.

Supplementary Provisions

Revisions to Article 1 shall be in effect on October 8, 2009.

Supplementary Provisions

Revisions to Article 5 shall be in effect on July 1, 2009.

Supplementary Provisions

Newly establishment of Article 3-2 shall be in effect on June 4, 2012.

Supplementary Provisions

Revisions to Article 3-2 shall be in effect on September 13, 2012.

Supplementary Provisions

Revisions to Article 2, Article 3-2 and Article 4 shall be in effect on March 24, 2014.