

RULES FOR AUDIT OF CLEARING MEMBERS

Article 1. Purpose

1. This rule is to define necessary matters relevant to audit of clearing participants and OTC clearing participants (hereinafter “Clearing Participants”) based on the provisions of Article 19 of the Business Rules and Article 23 of the Business Rules for the Business of Clearing OTC Commodity Derivatives Transactions, etc. of Japan Commodity Clearing House Co., Ltd. (hereinafter “JCCH”).
2. The purpose of audit set forth in the preceding paragraph is for JCCH to execute the business of assuming commodity transaction on debt and the business of clearing OTC transactions properly and steadily by looking into Clearing Participant’s status in compliance with JCCH’s Business Rules, Business Rules for the Business of Clearing OTC Commodity Derivatives Transactions, etc. and other rules and business or financial conditions of the participant.

Article 2. Auditor

The audit is conducted by JCCH’s employees appointed by its CEO (hereinafter referred to as “auditor”).

Article 3. Authority of Auditor

An auditor may demand a director or employee of clearing participant to present or have the auditor access to book and documents if necessary and to submit information or explain the facts and create the document describe in the talks.

Article 4. Obligation of Auditor

An auditor must comply with the following items.

- (1) Audit must be carried out based on the facts;

- (2) An auditor always has to be fair when he/she acknowledges the facts, determines the next process and expresses opinions;
- (3) An auditor shall not leak any information obtained during the audit with no justifiable grounds.

Article 5. Obligation of Clearing Participant

If a director and employee of clearing participant have any requests prescribed in the preceding Article 3 from an auditor, they may not refuse the requests with no justifiable grounds.

Article 6. Implementation Methods of Audit

1. Audit shall be implemented as auditors visit headquarters, other business offices or other main offices (hereinafter referred to as “premises”) of clearing participant. However, audit shall be performed based only on submitted documents by clearing participant if JCCH approves
2. JCCH may carry out the audit together with designated commodity exchange, Commodity Futures Association of Japan and National Futures Protection Fund.

Article 7. Notice of Audit

1. If JCCH conducts the audit at clearing participant’s premises, JCCH would notify the participant of necessary matters including the term of audit, audit reference date and areas of audit. However, this shall not apply to a participant if JCCH confirms a necessity.
2. JCCH, if necessary, may audit clearing participant at any time as prescribed in the preceding paragraph.

Article 8. Presenting Auditor’s Certificate and Delivering Audit Notice

When an auditor launches the audit as prescribed in Article 7 Paragraph 1, he/she presents his/her certificate as an auditor and delivers audit notice to clearing participant.

Article 9. Reporting Audit Results

After an auditor completes the audit, he/she shall promptly report the documented results to CEO of JCCH.

Article 10. Measures for Audit Results

If JCCH finds any issues in conducts of clearing participant against JCCH's Business Rules and other rules and regulations as a result of audit, JCCH may point out the issues to such participant and demand the participant to make improvements in raised matters along with to submit reports on reformed measures if necessary, other than JCCH to impose punishment, measures or make a recommendation based on the Business Rules.

Article 11. Notice of Audit Results

After JCCH completes the audit, JCCH would inform clearing participant of audit results in writing.

Supplementary Provisions

These rules are effective from September 21, 2011.

Supplementary Provisions

Amendments to Article 1 (Purpose) shall take effect on May 16, 2014.