

Excerpts of the relevant parts to the NFPP from “On the Reform of the Commodity Futures Market System (Interim Report)”, adopted at the Commodity Exchange Committee of the Industrial Structure Council

(Provisional translation by the NFPP)

1. Expansion of the Customer Claim Protection System

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① Full Implementation of Deposit to the Exchange of Required Margin and Complete Segregation

Complete Segregation should be implemented on the customer claims exceeding the required margins to be deposited to the exchange, so that the customers' priority in receiving settlement is made surer. And in order to secure this, penalties for violating segregation duty should be introduced, and the supervision by the competent ministries and by the self-regulatory organizations should be strengthened.

② Improvement of Safety Networks in Case of FCM Failures

The current system of the Designated Settlement Organization should be developed into a fund system for compensation of customer claims, with compulsory enrolment of FCMs, as a safety net of the market, following the system of the Investor Protection Fund in the securities exchange area.

2. Orderly Functioning of FCMs as Market Mediators

(3) Supervision on the FCMs

② Strengthening the Systems for Supervision and Auditing on the FCMs

In order to further strengthen the systems for supervision and auditing on the FCMs, it is important to strengthen the cooperation among the competent ministries and the self-regulatory organizations (the Exchanges, the Commodity Futures Association, the Fund for customer claims compensation), and to strengthen the systems for supervision and auditing by each organization.

And . . . it is also important that the self-regulatory organizations make clear each role and promote efficiency by cooperating with each other, such that;

- the Exchanges supervise their member's fairness of trade in the commodity futures

markets and their financial situation,

- the Commodity Futures Association carries out regulation and dispute settlement about the FCMs' consigned business,

- the Fund for customer claims compensation supervises the FCMs' finance from the viewpoint of preservation of the customer claims.