

## **CLSA SECURITIES DEALING SERVICES: JAPAN MARKET ANNEX**

### **1. Definitions and Interpretation**

- 1.1 In this Securities Dealing Services: Japan Market Annex, including the Schedule, capitalised terms have the meaning given to them in the "CLSA Asia-Pacific Terms of Business" (the "**Terms of Business**") and the Securities Dealing Services Annex.
- 1.2 This Securities Dealing Services: Japan Market Annex is referred to herein as "this Annex".
- 1.3 References in this Annex to "we", "us" and "our" mean, unless the context otherwise requires, CLSA and where the context requires will also include any company in the CLSA Group, or persons connected with the CLSA Group.

### **2. Effect of Terms of Business; Amendment**

- 2.1 This Annex shall apply to you if (a) you requested in your Application Form that we provide you with Securities Dealing Services and requested that such Securities Dealing Services be provided in respect of the Japan Market; or (b) we currently provide you with Securities Dealing Services in respect of the Japan Market.
- 2.2 The terms and conditions set out in this Annex shall apply to all Securities Dealing Services in the Japan Market, provided by us to you in addition to, and supplemental to, the terms and conditions set out in the Terms of Business and in the Securities Dealing Services Annex. Accordingly, the terms and conditions in this Annex are legally binding and take effect when you signify your acceptance by placing an order for Securities in the Japan Market with us, following your receipt of our Terms of Business, the Securities Dealing Services Annex and this Annex.

### **3. Market Requirements**

- 3.1 You acknowledge that when you obtain insider information, you are prohibited from trading stock of a relevant listed company until the insider information is published, in accordance with the Financial Instruments and Exchange Act (the "**FIEA**"). You also acknowledge that you are prohibited from engaging in market manipulation, fraud transactions, or other unfair transactions under the FIEA. You agree that when we deem that you have engaged in such transactions at our own discretion, we may limit or reject your orders.
- 3.2 Without limiting your obligations under the Terms of Business and the Securities Dealing Services Annex, you will comply at all times with the Market Requirements and the applicable rules and regulations of the Tokyo Stock Exchange, the Osaka Securities Exchange and every other securities market in which we conduct transactions for you.

- 3.3 You agree that you shall seek advice on and be aware of the laws and Market Requirements in your own country and in each jurisdiction in which you may from time to time require us to provide services to you hereunder (including as to the prohibited securities transactions and insider dealing), and we shall not be liable for any loss or liability imposed on you as a result of non-compliance with such laws, Market Requirements and applicable legal process.

#### **4. Short Selling**

- 4.1 Without limitation to your obligations under the Terms of Business and the Securities Dealing Services Annex, for every transaction in Securities in the Japan Market, you will inform us if that trade is a short selling order prior to or at time of the order.
- 4.2 For every short selling order conducted through us, you confirm that you will make proper arrangements, such as stock borrowing, to cover the trade settlement, and if applicable, that you have confirmation from your lender for the delivery of the trade, and you inform us of the source of the Securities under such cover arrangements (such as the lender's name) in each case, prior to or at time of the order. Specifically, but not exclusively, when you place a short sell order through FIX Protocol and check "No" in tag 114, such action on your part represents you confirm that i) you have a presently exercisable and unconditional right to vest the Securities to which the order relates in the purchaser of such Securities; and ii) where the Securities to which the order relates have been borrowed to cover the sale, you have obtained confirmation from the lender(s) of such Securities that such lender(s) has / have such Securities available to lend to you.
- 4.3 Should we request, prior to accepting the order you will provide, in written form by Bloomberg or means as otherwise agreed, relevant information and assurances in relation to the short selling order which confirms to us that you have the proper arrangements in place.
- 4.4 Even if your sell order is not a short sell order, you will inform us of how and where you will have the Securities sold, prior to or at time of the order.
- 4.5 If your short-selling position amounts to 0.20 per cent or more of the outstanding Securities of the relevant issuer, you will report your short-selling position to us when it reaches, exceeds, changes above, or falls below such threshold.
- 4.6 Without limiting your obligations to at all times comply with the Market Requirements, you shall at all times comply with the provisions of the FIEA, Order for Enforcement of the FIEA and Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. in relation to short selling, including, but not limited to, the following regulations:
- 4.6.1 Short sell orders for stock shall not be placed without a proper cover arrangement to ensure the delivery of the Securities to be sold (Prohibition against Naked Short Selling); and
- 4.6.2 Short sell orders are not allowed to be executed at or lower than the latest execution price of the relevant issue on the relevant exchange, provided however that, if the latest execution price is higher than the

immediately preceding latest execution price (i.e., upward movement), short sell orders may be placed at the latest execution price (Up-Tick Rule).

- 4.6.3 In connection with the public offering, if you conduct a short selling within a certain specified period, you are prohibited from making a settlement for the borrowed stock for such short selling (including stock purchased under repurchase transactions) using the stock that you acquire through the public offering.
- 4.7 This Clause 4 shall apply to any orders placed by oral or electronic means (including, without limitation, through Direct Market Access Services), or in writing by fax or other means of transmission.

## **5. Securities Positions and Reporting Limits**

The FIEA requires a person holding or controlling a reportable position to notify the relevant authorities through the EDINET (the Electronic Disclosure for Investors' NETwork). You may need to take legal advice regarding your obligations thereunder. You acknowledge that it is your responsibility to observe such position limits, to monitor your holdings and to make reports where applicable.

## **6. Risk Disclosure Statement**

You have confirmed (whether in the Application Form or otherwise) that you acknowledge and confirm that the terms and conditions applicable to the Services and the risk disclosure statements in the "Risk Disclosure Statement Schedule" to this Annex are and have been fully explained to you in a language that you understand and that you have read and understood them.

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## **Securities Dealing Services: Japan Market Annex Risk Disclosure Statement Schedule**

This Risk Disclosure Statement Schedule does not disclose all of the risks and other significant aspects of trading in securities. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. Please read this Schedule carefully, and ask questions and take independent advice as you consider appropriate.

### **General Investment Statement**

#### ***Potential losses***

- You may sustain substantial losses on the transactions if market conditions move against your positions. It is in your interest to understand fully the impact of market movements, in particular the extent of profit or loss you would be exposed to when there is an upward or downward movement in the relevant rates. Your position on various transactions may be liquidated at a loss and you will then be liable for any resulting deficit in your account with your broker. Under certain circumstances, it may be difficult to liquidate an existing position, assess the value, determine a fair price or assess your exposure to risk.

#### ***Liquidation of positions***

- Under certain market conditions you may find it difficult or impossible to liquidate a position. This may arise from the rules in certain markets (for example, the rules of a particular exchange may provide for "circuit breakers" where trading is suspended or restricted at times of rapid price movements).
- Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit your losses to the intended amounts, as it may be difficult or impossible to execute such orders without incurring substantial losses under certain market conditions. Strategies using combinations of positions, such as "spread" or "straddle" positions may be as risky as taking simple "long" or "short" positions.

#### ***Securities borrowing***

- When you borrow securities, you should be aware that failure to return the borrowed securities to your broker on your broker's demand could lead to your broker effecting a buy in without further consultation with you, and you may then be liable for the total costs and expenses incurred by your broker arising from such buy in.

#### ***Pricing relationships***

- The normal pricing relationships between a derivative and its underlying assets may not exist in certain circumstances. The absence of an underlying reference price may make it difficult to assess the "fair" value of a derivative position. Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option or a warrant) may be modified by an exchange or clearing house to reflect changes in the underlying asset.

### ***Tax risks***

- Before entering into any transaction you should understand the tax implications of doing so, e.g. income tax. Different transactions may have different tax implications. The tax implications are dependent upon the nature of your business activities and the transactions in question. You should therefore consult your tax adviser to understand the relevant tax considerations.

### ***Currency risks***

- The profit and loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates and the difference between the buying price and the selling price of a currency where there is a need to convert from the currency denomination of the contract to another currency.

### ***Counterparty risks***

- All transactions that are executed upon your instructions with counterparties and brokers are dependent on their due performance of their obligations. The insolvency or default of such counterparties and brokers may lead to positions being liquidated or closed out without your consent.

### ***Commission and other charges***

- Your net returns from a transaction would also be affected by the transaction costs (i.e. commission, fees and other charges) charged by your broker, the clearing house and the securities exchange. These costs must be considered in any risk assessment made by you.

### ***Custodial Services***

- You acknowledge that there may be risks in leaving securities and assets in your broker's safekeeping. Such risks could involve the loss of all your securities and assets, leading to diminished investor protection. You should be prepared to assume these risks if you decide to leave your securities and assets in your broker's safekeeping. You should also understand that in relation to securities and assets held in other jurisdictions, your broker may appoint foreign custodians to safekeep your foreign securities and assets. In this respect, there may be additional risks in relation to such foreign custodians arising from the operation of foreign law, rules and regulations. You should therefore be prepared to assume these further risks before you engage your broker to provide such foreign custodial services. You should also be aware that you may incur additional costs for utilising custodial services. While every attempt will be made to segregate your securities and your broker's securities held with custodians, there may be instances when some custodians may not recognise such segregation. Consequently, your ability to withdraw these securities may be affected if your broker defaults.

### ***Transactions in foreign jurisdictions***

- Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may involve additional risk. In particular, securities that are foreign listed securities and are held overseas are subject to the applicable laws and regulations of the relevant overseas jurisdiction. Before you trade you should enquire about any rules relevant to your particular transactions. You should understand the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade. There may be restrictions for foreigners, repatriation of capital investments and profits and there may be withholding or additional forms of taxes.

### ***Off-exchange transactions***

- In some jurisdictions and only in restricted circumstances, firms are permitted to effect off-exchange transactions. In addition to the issues concerning the liquidation of positions and pricing relationships generally set out above, off-exchange transactions may be less regulated or subject to a separate regulatory regime. Because prices and characteristics of over-the-counter financial instruments are often individually negotiated, there may be no central source for obtaining prices and there can be inefficiencies in the pricing of such instruments. Off-exchange transactions may also involve greater risk than dealing in exchange traded products because there is no exchange market through which to liquidate your position, to assess the value of the product or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these products and consequently, it may be difficult to establish what a fair price is. Before you undertake such transactions, you should familiarise yourself with applicable rules and attendant risks.

### **Securities Risk Disclosure Statement**

- You acknowledge that the price of Securities can and does fluctuate, sometimes dramatically, and that the price of any individual security may experience downward movements, and may become valueless. You appreciate therefore that it is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. This is a risk that you are prepared to accept.
- You acknowledge that there are risks in leaving Securities in our custody or in authorising us to deposit securities as collateral for loans or advances made by us or authorising us to borrow or loan Securities and you confirm that you are prepared to accept such risk notwithstanding that in these circumstances you face the risk of loss of such Securities.
- You confirm that you understand the short selling requirements in Japan and, in particular, that uncovered short selling on Exchanges in Japan is unlawful.

### **Electronic Communication and Trading System Risk Disclosure Statement**

- You understand that the electronic communication systems (including the internet) may not be a reliable medium of communication due to

unpredictable traffic congestion or other reasons and that such unreliability is beyond our control. This may give rise to situations, including delays, in transmission and receipt of your instructions or other information, delays in execution or execution of your instructions at prices different from those prevailing at the time your instructions were given, misunderstanding and errors in any communication between you and us and so on. Whilst we will take every possible step to safeguard our systems, client information, accounts and assets held for the benefit of our clients, you accept the risk of conducting transactions via electronic communication systems.

- Electronic trading facilities (including, without limitation, the Direct Market Access Services) are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. You understand that your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member or participant firms. Such limits may vary: you understand that you should ask us for details in this respect.
- Trading on an electronic trading system (including, without limitation, through the Direct Market Access Services) may differ from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you understand that you will be exposed to risks associated with the system including the failure of hardware and software. You understand that the result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

**Providing an Authority to Hold Mail or to Direct Mail to Third Parties Risk Disclosure Statement**

- If you provide us with an authority to hold mail or to direct mail to third parties, you understand that it is important for you to promptly collect in person all contract notes and statements of your account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.

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