



Specialist Working Group for Recurrence Prevention Measures (1st meeting)

Total smart exchange

Tokyo Stock Exchange, Inc.

November 6, 2020

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Purpose of the Working Group, etc.

- With the Council for Recurrence Prevention Measures having held its first meeting on October 23, the Specialist Working Group has been established under the Council to discuss the practical aspects of recurrence prevention measures pertaining to the recent system failure, from the perspective of those working on the ground.
- The Working Group, along with market users, will consider the practical measures of how TSE should develop its responses to system failures and its rules and regulations from the perspective of investors, taking into account evidence from overseas.
- The major topics for consideration are the same as those given as "Major Topics for Consideration" in the materials for the Council meeting held on October 23.
- Materials used and a summary of the Working Group's meeting will be published later on the TSE website.

2. Working Group Members and Observers

	Company/organization etc.
Trading participants	SMBC Nikko Securities Inc.
	SBI SECURITIES CO., Ltd.
	Okasan Securities Co., Ltd.
	Goldman Sachs Japan Co., Ltd.
	Societe Generale Securities Japan Limited
	Daiwa Securities Co. Ltd.
	Tachibana Securities Co., Ltd.
	Nomura Securities Co., Ltd.
	Meiwa Securities Co., Ltd.
	UBS Securities Japan Co., Ltd.
	Rakuten Securities, Inc.
Institutional investors	Asset Management One Co., Ltd.
	Fidelity Investments (Japan) Limited
Retail investors	Retail investor
Data vendors	QUICK Corp.
	Refinitiv Japan K.K
System vendors	Japan Information Processing Service Co., Ltd.
	Nomura Research Institute, Ltd.

	Company/organization etc.
Observers	The Financial Services Agency of Japan
	The Investment Trusts Association, Japan
	Japan Securities Dealers Association
	Japan Investment Advisers Association
	Sapporo Securities Exchange
	Nagoya Stock Exchange, Inc.
	Fukuoka Stock Exchange

- ✓ Listed in Japanese alphabetical order in each category
- ✓ Members of the Council for Recurrence Prevention Measures will also participate, as well as Societe Generale Securities Japan Limited and Tachibana Securities Co., Ltd. as trading participants and Japan Investment Advisers Association as an observer.

3. Meeting Schedule and Agenda (Draft) - 1

- Meetings will be held approximately twice a month until the end of March 2021 (planned).
- In order to make discussions meaningful, a survey on trading participant systems, etc. is being conducted in advance.
- The Working Group will submit an interim report to the Council at the end of December 2020 and a final report at the end of March 2021 (planned).

Meeting Dates (planned)		Draft Agenda
-	Oct. 30, Nov. 4/5	<ul style="list-style-type: none"> • Survey of trading participants regarding the system failure on October 1, 2020 was sent out • Briefing sessions on the above survey held for staff of trading participants
1 st meeting	Nov. 6 (Today)	<ul style="list-style-type: none"> • Purpose of the Working Group • Introductions of Working Group members • Meeting schedule and agenda (draft) of the Working Group
2 nd meeting	Nov. 20	<ul style="list-style-type: none"> • Rules for order handling etc. to enable same-day trading resumption in the event of system failure (1) <ul style="list-style-type: none"> ➢ Based on responses to the survey, TSE will identify which cases would require measures such as no order acceptance and trading halts and present a proposal to the Working Group ➢ Based on responses to the survey, TSE will also present a proposal about how brokerage orders should be handled in the case of a trading resumption • Procedures for trading resumption in the case of an extraordinary trading halt (1) <ul style="list-style-type: none"> ➢ Based on responses to the survey, TSE will present a proposal for operational procedures for trading resumption after a reboot of the trading system
3 rd meeting	Week of Nov. 30	<ul style="list-style-type: none"> • Rules for order handling etc. to enable same-day trading resumption in the event of system failure (2) • Procedures for trading resumption in the case of an extraordinary trading halt (2) • Clarification of standards, etc. for trading resumption under the contingency plan (1) <ul style="list-style-type: none"> ➢ TSE will present a proposal for trading resumption standards based on the standards for trading halts ➢ In order to increase the foreseeability of trading halts and resumptions, TSE will review frame of reference for trading halts and resumptions and present a proposal on this

3. Meeting Schedule and Agenda (Draft) - 2

Meeting Dates (planned)		Planned Agenda
4 th meeting	Week of Dec. 14	<ul style="list-style-type: none"> • Rules for order handling etc. to enable same-day trading resumption in the event of system failure (3) • Procedures for trading resumption in the case of an extraordinary trading halt (3) • Clarification of standards, etc. for trading resumption under the contingency plan (2) • Procedure for gathering opinions when deciding on trading resumptions <ul style="list-style-type: none"> ➤ TSE will explain the scope, contact persons and framework, etc. for gathering opinions • Information provision in the event of a system failure <ul style="list-style-type: none"> ➤ TSE will explain about the contents, frequency, channels, etc. for information provision in the event of a future system failure
Interim Report	Week of Dec. 21	<ul style="list-style-type: none"> • Interim results to be reported to the Council (the Council will be held on this date)
5 th meeting	Week of Jan. 12	<ul style="list-style-type: none"> • Clarification of standards, etc. for trading resumption under contingency plan (3) • Continued discussion on practical and specific points from the interim report
6 th meeting	Week of Jan. 25	<ul style="list-style-type: none"> • Continued discussion on practical and specific points from the interim report
7 th meeting	Week of Feb. 8	<ul style="list-style-type: none"> • Discussion on remaining issues • Presentation of draft final reports
8 th meeting	Week of Feb. 22	<ul style="list-style-type: none"> • Completion of final report
Final Report	Week of Mar. 15	<ul style="list-style-type: none"> • Final results to be reported to the Council (the Council will be held on this date)

✓ During these discussions, TSE will make every effort to gain consensus among widespread market users, both WG members and non-members, through individual interviews and surveys as needed.

Reference Material



4. Major Topics for Discussion (1)

Excerpt from the materials for
the 1st meeting of the Council

- The Council will mainly focus on the following discussion points with the aim of considering/responding to IT-related, rule-related and operation-related issues for the purpose of development of rules for trading halts and resumptions and other things.

I. Development of Rules and Procedures for Trading Halts and Resumptions, etc.

1. Development of necessary rules for handling of already received orders to enable same-day trading resumption in the event of system failure

- After listing up different types of system failure, confirmation of which would need responses such as no order acceptance and trading halts, and clarification of this through existing rules if necessary.
- For cases such as the one on October 1 where trading participants need to resend orders due to a system reboot, organization of various issues including handling of brokerage orders at trading participants, what is required by customers for a trading resumption, and the necessity of resending customer orders, and clarification of these through existing rules if necessary.

2. Development of procedures for trading resumptions in case of extraordinary trading halts

- For cases such as the one on October 1 where the system failure is such that the TSE trading system has to be rebooted, establishment of operational procedures for trading resumption, through discussions of what IT-related work would be needed for both the exchange and trading participants, etc.
- Discussion of what would be needed from both TSE and trading participants, etc. to shorten the time between a reboot of the TSE trading system and trading resumption.

3. Drills based on the above

- Conducting periodic drills with trading participants and market data users, etc. to recreate the situation of a TSE trading system reboot.

II. Clarification of Standards and Procedures for Trading Resumption under Contingency Plan

4. Clarification of standards, etc. for trading resumption under contingency plan

- Given that the current contingency plan contains no standards for trading resumptions, discussion and clarification of these from the beginning, based on the standards for trading halts.
- In addition, in order to increase the foreseeability of trading halts and resumptions, clarification of standards and their applicability in cases where it is necessary to comprehensively take into consideration the percentage share in trading values, damage or system failure caused by a natural disaster, and societal demand for market operations.

5. Development of procedure for gathering opinions when deciding on trading resumptions.

- With the aim of increasing transparency and ensuring effective decision making on trading resumptions, discussion of the scope of trading participants, etc. who would be asked for opinions (e.g. by percentage share in trading value), clarification of their contact persons (ex. a person responsible for securities trading) and, if necessary, development of a framework for this.

III. Enhancement of Information Provision

6. Enhancement of information provision in the event of system failure, etc.

- Discussion and enhancement of the required contents and frequency of information and which channels should be used to disseminate it from the perspective of users, with the aim of swift information provision and timely updates on any system failure, including on the incident itself, its cause and the expected timing of trading resumption, for the purpose of enabling widespread investors and market related parties to receive information on system failures and their details in a timely and appropriate manner.