

Partial Revision of Margin Rules for Securities Options between Trading Participants and Customers

March 22, 2024

Osaka Exchange, Inc

I. Purpose

Osaka Exchange, Inc. (OSE) will partially revise the margin rules for securities options between trading participants and customers in order to improve convenience for investors. As a result of this revision, in cases where a customer trades securities options only in a form that poses no default risk at final settlement, and when a trading participant and said customer have concluded an agreement that the trading participant will use its own funds to cover the difference between the amount of required margin and the amount that said customer has deposited, said customer will be allowed to continue trading without depositing said difference with the trading participant.

II. Outline

Item	Description	Remarks
• Partial Revision of Margin Rules	• In cases limited to transactions of types a. through d. below, where the sum of the amount of cash and the amount of securities evaluated at substitution price that a customer has deposited as margin to conduct a transaction of type b. or d. is less than the amount of margin required from said customer for a transaction of said type, where a trading participant (or said trading participant and its designated clearing participant if said trading participant is a non-clearing participant) has concluded an agreement with said customer (or said customer and its applicant if said customer is a broker) to the effect that the trading participant (or its designated clearing participant if said trading participant is a non-clearing participant) will deposit the difference (hereinafter referred to as the "supplemental	

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	<p>deposit") with Japan Securities Clearing Corporation (JSCC) using its own funds, and where said trading participant (or its designated clearing participant if said trading participant is a non-clearing participant) has make an application to that effect to JSCC, said supplemental deposit will be deducted from the amount of margin required between said trading participant and said customer. In cases limited to transactions of types a. through d. below, the amount of cash deposited by the customer as margin to conduct a transaction of type b. will not be included in calculating the cash deficiency.</p> <p>a. A transaction to purchase or resell a securities put option, as specified in Rule 8, Paragraph 1, Item 1, Sub-item a. of the Business Regulations</p> <p>b. A transaction where a customer sells a securities put option, as specified in Rule 8, Paragraph 1, Item 1, Sub-item a. of the Business Regulations, while simultaneously depositing with a trading participant, as margin, an amount of purchase consideration equivalent to that needed for purchasing the amount of the option's underlying security, at the exercise price, that would be effected through the exercise of said securities put option</p>	<ul style="list-style-type: none"> • In cases where a trading participant (or said trading participant and its designated clearing participant if said trading participant is a non-clearing participant) deposits said supplemental deposit with JSCC using its own funds, the deposit will be made under the classification of clearing margin prescribed by JSCC. • Transactions of type a. include transactions to settle positions resulting from transactions of type b. • Transactions of type b. are also known as target buying transactions.

Item	Description	Remarks
	<p>c. A transaction to purchase or resell a securities call option, as specified in Rule 8, Paragraph 1, Item 2, Sub-item a. of the Business Regulations</p> <p>d. A transaction where a customer sells a securities call option, as specified in Rule 8, Paragraph 1, Item 2, Sub-item a. of the Business Regulations, while simultaneously depositing with a trading participant, as margin, the amount of the underlying security that would be effected through the exercise of said securities call option</p>	<ul style="list-style-type: none"> • Transactions of type c. include transactions to settle positions resulting from transactions of type d. • Transactions of type d. are also known as covered call transactions.

III. Implementation Date (Planned)

The partial revision is scheduled to be implemented in the first half of 2024.