

## **Rules concerning Order Management Systems at Trading Participants** (as of January 4, 2021)

Tokyo Stock Exchange, Inc.

### **Rule 1. Purpose**

1. These Rules shall prescribe matters concerning order management systems to be developed by trading participants, in accordance with the provisions of Rule 22-3 of the Trading Participant Regulations.
2. The purpose of the development of order management systems as mentioned in the preceding paragraph is to prevent the acceptance and placement of erroneous orders by trading participants in securities transactions on the Exchange markets (limited to those carried out during trading sessions specified by the Exchange), through the establishment of internal regulations and implementation of any other necessary measures by trading participants, thereby securing confidence in the Exchange and its trading participants and protecting the public interest and the protection of investors.

### **Rule 2. Establishment of Internal Regulations**

Trading participants shall establish internal regulations setting forth matters with regard to the order management operations conducted by trading participants, as described in the following items.

- (1) Matters concerning the verification of the content of customer orders, etc.
- (2) Matters concerning restrictions on the placement of orders
- (3) Matters concerning the appointment of an authorizing officer
- (4) Matters concerning familiarization with internal regulations, etc.
- (5) Any other provisions deemed necessary

### **Rule 3. Verification of Details of Customer Orders, etc.**

1. Trading participants shall verify the following details when accepting orders from customers.
  - (1) Issue, buy or sell transaction, price, volume, and other details of the customer's order
  - (2) Customer's financial resources and characteristics, instruments traded and other information relating to the customer
2. Trading participants shall strive to ascertain the customer's financial resources in advance.

#### **Rule 4. Restrictions, etc. on the Placement of Orders**

Trading participants shall impose the restrictions or implement measures enumerated in the items below, considering the matters referred to in each item of Paragraph 1 of the preceding rule as well as the trading participant's financial resources, when placing orders on the Exchange markets.

- (1) Restrictions prohibiting the placement of orders in excess of a specified volume or value
  - (2) Restrictions requiring prior approval for the placement of orders in excess of a specified volume or value
  - (3) Restrictions deemed appropriate to prevent the placement of orders, etc. for which the total volume or value during a specified period of time are equal to or in excess of a specified volume or value
  - (4) Measures immediately halting placement of new orders to the Exchange if an unusual order is unexpectedly placed or there is such a risk due to reasons such as a malfunction of systems that a customer or trading participant uses
2. Trading participants must have direct and exclusive control over the restrictions and measures prescribed in each item of the preceding paragraph.

#### **Rule 5. Appointment of an Authorizing Officer**

Trading participants shall appoint an authorizing officer, who shall be responsible for authorization as described in Item 2 of the preceding Rule, at each branch placing orders on the Exchange markets. However, this requirement shall not apply if the order is to be placed via another branch, and approval is to be given at the other branch in question.

#### **Rule 6. Use of Order Placement Systems**

The restrictions referred to in Items 1 and 2 of Paragraph 1 of Rule 4 shall be implemented using the order placement-related systems operated by the trading participant in question, and the restrictions referred to in Item 3 of the same paragraph and the measures referred to in Item 4 of the same paragraph shall be implemented using the order placement-related systems operated by the trading participant in question or by a method deemed appropriate.

#### **Rule 7. Familiarization with Internal Regulations, etc.**

Trading participants shall take steps to ensure that their directors, executives and employees are familiar with the internal regulations mentioned in Rule 2, and shall carry

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out internal inspections of compliance and implement any other measures necessary to ensure the effectiveness of these Rules.