

Rules Concerning Order Management Systems at Trading Participants

(As of May 29, 2023)

Osaka Exchange, Inc.

Rule 1. Purpose

1. These Rules prescribe necessary matters relating to order management systems to be developed and maintained by Trading Participants pursuant to Rule 21-2 of the Trading Participant Regulations.
2. The purpose of developing and maintaining order management systems referred to in the preceding paragraph is for Trading Participants to formulate internal rules and take other necessary measures so as to prevent Trading Participants from accepting or placing erroneous orders with regard to market derivatives traded on the markets of Osaka Exchange, Inc. (hereinafter referred to as "OSE") (limited to those traded in trading sessions specified by OSE), thereby securing confidence in OSE and Trading Participants and contributing to the public interest and investor protection.

Rule 2. Formulation of Internal Rules

A Trading Participant shall establish internal rules concerning order management that stipulate the matters enumerated in the following items:

- (1) Matters concerning confirmation of customer order details;
- (2) Matters concerning restriction on order placement;
- (3) Matters concerning appointment of approvers;
- (4) Matters concerning sufficient dissemination of internal rules; and
- (5) Other matters deemed necessary.

Rule 3. Confirmation of Customer Order Details

1. A Trading Participant shall confirm the following matters when accepting orders from a customer:
 - (1) Issue (or contract or rolling spot future for government bond futures, interest rate futures, index futures, and commodity futures), whether the order is a purchase or sale, price, quantity and other customer order details.
 - (2) The customer's financial resources and characteristics, products the customer trades in and other information concerning the customer.
2. A Trading Participant shall make efforts to gain an understanding of a customer's financial resources in advance.

Rule 4. Restriction on Order Placement

1. A Trading Participant shall impose restrictions or implement measures referred to in the following items when placing orders on the OSE markets, based on the matters referred to in each item of Paragraph 1 of the preceding rule and the Trading Participant's financial resources.
 - (1) Restriction to prohibit placement of orders of a certain quantity/amount or more;
 - (2) Restriction to require approval for placement of orders of a certain quantity/amount or more;
 - (3) Restriction that is deemed appropriate to prevent the placement of orders, etc. if the cumulative volume/value of such orders placed over a certain period of time exceeds the prescribed volume/value;
 - (4) Measures immediately halting placement of new orders to the Exchange if an unusual order is unexpectedly placed or there is a risk of such an order being placed due to reasons such as a malfunction of systems used by a customer or trading participant.
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 Approvers

A Trading Participant shall appoint persons who give approval referred to in Item 2 of the preceding rule at each office from which orders are placed on the OSE markets; provided, however, that this shall not apply where orders are placed through any other office and approval is given at said other office.

Rule 6. Restrictions Through Systems

A Trading Participant shall implement the restrictions referred to in each item of Rule 4 by using the systems or methods prescribed in the following items:

- (1) Restrictions referred to in Rule 4, Paragraph 1, Item 1
Systems pertaining to restrictions on order placement provided by OSE to a Trading Participant
- (2) Restrictions referred to in Rule 4, Paragraph 1, Item 2
Systems pertaining to order placement used by a Trading Participant
- (3) Restrictions referred to in Rule 4, Paragraph 1, Item 3 and measures referred to in Item 4 of the same paragraph
Systems prescribed in Item 1 or the preceding item, or methods that are deemed appropriate.

Rule 7. Dissemination of Internal Regulations

A Trading Participant shall ensure effectiveness of the internal rules referred to in Rule 2 by

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keeping officers and employees fully informed, conducting periodic internal inspections concerning the status of compliance, and taking any other necessary measures.

Supplementary Provisions

1. These revisions shall take effect on May 29, 2023.
2. Notwithstanding the provisions of the preceding paragraph, if OSE deems it inappropriate to implement the revisions on May 29, 2023 due to problems with operating the trading system or any other unavoidable reasons, they shall be implemented on later date specified by OSE.