

## Developing Rules in Connection with the Integration of Derivatives Markets

June 18, 2013

Osaka Securities Exchange Co., Ltd.

Tokyo Stock Exchange, Inc.

### I. Purpose

Following the establishment of Japan Exchange Group, Inc. (hereinafter "JPX") on January 1, 2013, in order to quickly generate synergy from consolidating market functions and integrating trading systems, JPX subsidiaries Tokyo Stock Exchange, Inc. (hereinafter "TSE") and Osaka Securities Exchange Co., Ltd. (hereinafter "OSE") will integrate their derivatives markets in March 2014.

In the integration of the derivatives markets mentioned above, the trading system for derivatives will be consolidated to the current OSE system J-GATE. OSE will make the necessary revisions to its trading rules, trading participant rules, and other rules so that futures and options contracts currently listed on the TSE market are listed on OSE upon integration, and TSE will abolish its corresponding rules regarding futures and options trading.

In addition, trading rules and other rules regarding exchange foreign exchange margin trading (hereinafter "exchange FX trading") will remain unchanged from existing OSE rules.

### II. Outline

Items	Contents	Notes
1. Trading Rules (1) Products	<ul style="list-style-type: none"><li>After integration, the following products currently traded on the TSE derivatives market will be available for trading on the OSE derivatives market.<ul style="list-style-type: none"><li>a. Index futures<ul style="list-style-type: none"><li>(a) Tokyo Stock Price Index (hereinafter "TOPIX") (including mini contracts)</li><li>(b) TOPIX Core30</li><li>(c) TOPIX Banks Index (hereinafter "Banks Index")</li></ul></li></ul></li></ul>	<ul style="list-style-type: none"><li>S&amp;P/TOPIX150 futures, TOPIX Electric Appliances Index futures and TOPIX Transportation Equipment Index futures will be discontinued and will</li></ul>

Items	Contents	Notes
	(d) Tokyo Stock Exchange REIT Index (hereinafter "TSE REIT Index") (e) Nikkei Stock Average Dividend Point Index (f) TOPIX Dividend Index (g) TOPIX Core30 Dividend Index <b>b. JGB futures</b> (a) Standardized medium-term government bond (hereinafter "5-year JGB") (b) Standardized long-term government bond (mini contracts are based on the price of standardized long-term government bond) (hereinafter "10-year JGB") (c) Standardized super long-term government bond (hereinafter "20-year JGB")  <b>c. Index options</b> TOPIX  <b>d. Options on JGB Futures</b> 10-year JGB  <b>e. Individual securities options</b> Underlying securities	not be available on OSE.          <ul style="list-style-type: none"> <li>• Trading in 20-year JGB futures will resume. Please refer to Appendix for the outline of the rules for 20-year JGB futures. (hereafter, description regarding 20-year JGB futures will be omitted.)</li> <li>• Trading of S&amp;P/TOPIX150 options is currently halted. The options will be discontinued and will not be available on OSE.</li> <li>• Trading of options on 5-year JGB futures is currently halted. The options will be discontinued and will not be available on OSE.</li> <li>• All individual securities options listings on the TSE derivatives market will be</li> </ul>

Items	Contents	Notes
(2) Trading hours	<ul style="list-style-type: none"> <li>• The following products currently listed on the OSE derivatives market will be delisted and discontinued.</li> <li>a. Index futures               <ul style="list-style-type: none"> <li>(a) Nikkei Stock Index 300 (hereinafter "Nikkei 300")</li> <li>(b) High-Tech Index</li> <li>(c) Consumer Index</li> <li>(d) Financial Index</li> <li>(e) MSCI JAPAN Index</li> </ul> </li> <li>b. Index options               <ul style="list-style-type: none"> <li>(a) Nikkei 300</li> <li>(b) High-Tech Index</li> <li>(c) Consumer Index</li> <li>(d) Financial Index</li> </ul> </li> <li>• Trading hours will be based on product category as follows.</li> <li>a. Index futures and options               <ul style="list-style-type: none"> <li>(a) Day session                   <ul style="list-style-type: none"> <li>Opening auction 9:00 a.m.</li> <li>Regular session From 9:00 a.m. to 3:10 p.m.</li> <li>Closing auction 3:15 p.m.</li> </ul> </li> <li>(b) Night session                   <ul style="list-style-type: none"> <li>Opening auction 4:30 p.m.</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>integrated to OSE derivatives market, and after integration these options will continue to be available on OSE.</li> <li>• Products that are not described in this section will continue to be available after integration.</li> <li>• Current OSE trading hours for index futures and options will be applied.</li> </ul>

Items	Contents	Notes
(3) Matching rules	Regular session From 4:30 a.m. to 2:55 a.m. the next day	<ul style="list-style-type: none"> <li>• In principle, current TSE trading hours for JGB futures will be applied, however, the end of trading for the night session will be extended to 3:00 a.m. the next day. Closing auctions will also be adopted for options on JGB futures in line with that for JGB futures.</li> <li>• In principle, current TSE trading hours for individual securities options will be applied, as such, there will be a noon recess.</li> </ul>
	Closing auction 3:00 a.m. the next day	
	b. JGB futures and options	
	(a) Morning session	
	Opening auction 8:45 a.m.	
	Regular session From 8:45 a.m. to 11:00 a.m.	
	Closing auction 11:02 a.m.	
	(b) Afternoon session	
	Opening auction 0:30 p.m.	
	Regular session From 0:30 p.m. to 3:00 p.m.	
	Closing auction 3:02 p.m.	
	(c) Night session	
	Opening auction 3:30 p.m.	
	Regular session From 3:30 a.m. to 2:55 a.m. the next day	
	Closing auction 3:00 a.m. the next day	
(3) Matching rules	c. Individual securities options	
	(a) Morning session	
	Opening auction 9:00 a.m.	
	Regular session From 9:00 a.m. to 11:30 a.m.	
	Closing auction 11:35 a.m.	
	(b) Afternoon session	
	Opening auction 0:30 p.m.	
	Regular session From 0:30 p.m. to 3:10 p.m.	
	Closing auction 3:15 p.m.	
	• Current OSE derivatives market rules will be applied.	

Items	Contents	Notes
(4) Bids and offers	<p>a. Increments of bids and offers In principle, current rules will be applied.</p> <p>b. Order types and conditions In principle, current OSE derivatives market rules will be applied for order types and conditions, etc.</p>	<ul style="list-style-type: none"> <li>• Current TSE rules on increments of bids and offers for individual securities options will be applied.</li> <li>• Market orders can be submitted during the order acceptance period before the opening auction (<i>Itayose</i>) even for TSE derivatives products. However, in the same way as current rules, full order volume execution is not guaranteed.</li> <li>• For dividend index futures, market orders will be prohibited in the same way as current TSE rules.</li> </ul>
(5) Daily Price Limits	<p>• In principle, the current daily price limits in the OSE derivatives market will be applied, however, the price range will be set based on the characteristics of each product as follows.</p> <p>a. Index futures</p> <p>(a) Nikkei Average futures, TOPIX futures, TOPIX Core30 futures, Banks Index futures, TSE REIT Index futures and RNP Index futures</p> <p>i. Normal 8% of base price for calculating the price limit range</p> <p>ii. 1<sup>st</sup> expansion 12% of base price for calculating the price limit range</p> <p>iii. 2<sup>nd</sup> expansion 16% of base price for calculating the price limit range</p>	<ul style="list-style-type: none"> <li>• The daily price limit for JGB futures and options on JGB futures will be published separately.</li> <li>• For Nikkei Average futures and RNP Index futures, the current rules will be applied.</li> <li>• The base price for calculating the price limit range is the average value of the base prices of the central contract</li> </ul>

Items	Contents	Notes
	<p>(b) Dow Jones Industrial Average (hereinafter "DJIA") futures</p> <p>i. Normal 7% of base price for calculating the price limit range</p> <p>ii. 1st expansion 13% of base price for calculating the price limit range</p> <p>iii. 2nd expansion 20% of base price for calculating the price limit range</p> <p>(c) Nikkei Stock Average Dividend Point Index futures</p> <p>Normal JPY 50 (thereafter, increments of JPY 25)</p> <p>(d) TOPIX Dividend Index futures and TOPIX Core30 Dividend Index futures</p> <p>Normal 5 points (thereafter, increments of 2.5 points)</p> <p>b. Index options</p> <p>(a) Nikkei Average options and TOPIX options</p>	<p>month on each trading day during the 20-day period counting from the trading day that is 25 days prior to the first trading day of the March, June, September, and December contracts.</p> <ul style="list-style-type: none"> <li>• For DJIA futures, the base price for calculating the price limit range is the closing price of the underlying index (DJIA) at the end of March, June, September, or December.</li> <li>• The base price for calculating the price limit range and price ranges described at left are defined in order to clarify each value that is currently applied. The definitions in the current rules remain unchanged.</li> <li>• For Nikkei Stock Average Volatility Index ("Nikkei 225 VI") futures, it will remain unchanged from current rules.</li> <li>• The parameters for daily price limits of</li> </ul>

Items	Contents	Notes
(6) Temporary trading suspension (Circuit Breaker)	<p>i. Normal 11% of base price for calculating the price limit range</p> <p>ii. 1st expansion 14% of base price for calculating the price limit range</p> <p>iii. 2nd expansion 17% of base price for calculating the price limit range</p> <p>c. Individual securities options 25% of the base price for the daily price limits of the underlying security</p> <ul style="list-style-type: none"> <li>• The rules will be unified to the following.</li> </ul> <p>a. Trigger criteria In the case where a buy (sell) order is placed (or executed) at the upper (lower) price limit for the central contract month of a futures contract (excluding mini contracts), and no subsequent trades are executed outside 10% of the daily price limit range (JGB futures will be applied the dynamic circuit breaker range specified in below (7).) from said upper (lower) price limit in the next minute, the trading of futures whose underlying is the same as this central contract month (including mini contracts) will be suspended and the upper (lower) daily price limit range will be expanded.</p> <p>b. Duration of trading suspension 10 minutes or more</p> <p>c. Exemption If the following conditions are met, trading will not be suspended and the daily price limit will not be expanded.</p> <p>(a) In the case where the above criteria is met within 20 minutes before the</p>	<p>Nikkei Average options will be reduced as described at left.</p> <ul style="list-style-type: none"> <li>• The base price for calculating the price limit range is the same as the value used for index futures.</li> <li>• Same as current OSE rules.</li> <li>• When trading of a futures contract is suspended, trading of options of the same underlying will also be suspended and the daily price limits will be expanded, in the same way as current rules.</li> <li>• Duration of trading suspension for JGB futures and options on JGB futures will be published separately, in line with their daily price limits.</li> </ul>

Items	Contents	Notes
(7) Dynamic Circuit Breaker	<p>end of the regular session of the day (afternoon) or night session.</p> <p>(b) For futures (excluding Nikkei 225 VI futures and dividend index futures), in the case where the circuit breaker criteria is triggered again after the daily price limits has been expanded to the 2nd expansion range.</p> <p>(c) In cases where the Exchange deems that a trading suspension would not be appropriate in consideration of the trading conditions, etc.</p> <p>• The Dynamic Price Limit currently applied under TSE rules will be abolished, and the Dynamic Circuit Breaker (hereinafter "DCB") currently applied under OSE rules will be applied with partial revisions.</p> <p>a. Outline of DCB rules</p> <p>(a) When a bid or offer, that is likely to be executed beyond the price range (hereinafter "DCB range") which is determined by the Exchange from the DCB reference price as described in b below, is accepted, all matching trades within the DCB range will be executed and trading will be suspended for a certain period.</p> <p>(b) When the matching price after trading is suspended for a certain period, as described in (a) above, falls beyond the DCB range from the reference price, trading will not be resumed and the DCB reference</p>	<ul style="list-style-type: none"> <li>• For dividend index futures and Nikkei 225 VI futures, there will be no limit, in a day, to the number of times trading is suspended as well as expansions of the price limit range.</li> <li>• With regard to products of low liquidity, the Exchange will decide whether or not to suspend trading in consideration of the trading conditions, etc. on a case by case basis.</li> <li>• In the same way as current rules, DCB will be applied to the regular session (it will not be applied at the time of the opening auction (<i>Itayose</i>)).</li> <li>• The function (b) described at left will be introduced. The function (a) remains unchanged from current OSE rules.</li> <li>• Trading will continue to be suspended until the matching price at the time of resuming trading falls within the DCB</li> </ul>



Items	Contents	Notes
	<p>price will be updated to the price nearest the matching price within the DCB range, and trading will again be suspended for a certain period.</p> <p>b. DCB Reference Price</p> <p>Depending on the characteristics of each product, the DCB reference price will be applied based on the last execution price or mid-point price of the best bid and offer (including the execution price; hereinafter "BBO mid-price").</p> <p>c. DCB range</p> <p>(a) Index futures</p> <p>i. Nikkei Average futures, TOPIX futures, TOPIX Core30 futures, Banks Index futures, TSE REIT Index futures and RNP Index futures Up/Down 0.8%</p> <p>ii. Nikkei Stock Average Dividend Point Index futures Up/Down JPY 10</p>	<p>range.</p> <ul style="list-style-type: none"> <li>• The matching method applied at the time of resuming trading will be the call auction (<i>Itayose</i>) method.</li> <li>• For Nikkei Average futures, TOPIX futures, 10-year JGB futures, and other products of high liquidity, it will be based on the last execution price. For dividend index futures, options on 10-year JGB futures, and individual securities options, and other products for which market maker schemes have been introduced, it will be based on the BBO mid-price.</li> <li>• In the case where the matching price at the closing auction (<i>Itayose</i>) falls outside the DCB range, no trades will be executed.</li> <li>• For Nikkei Average futures and RNP Index futures, same as current rules.</li> </ul>

Items	Contents	Notes												
	<div>iii. TOPIX Dividend Index futures and TOPIX Core30 Dividend Index futures Up/Down 1 point</div> <div>(b) JGB futures</div> <div><div>i. 5-year JGB futures and 10-year JGB futures Up/Down JPY 0.10</div></div> <div>(c) Index options</div> <div><div>i. Nikkei Average options and TOPIX options Up/Down 10 ticks</div></div> <div>(d) Options on JGB futures</div> <div><div>i. Options on 10-year JGB futures Up/Down JPY 0.10</div></div> <div>(e) Individual securities options</div> <div>In accordance with the classifications of the base price for the daily price limits of the underlying securities, the DCB range will be determined as follows.</div> <table><tr><th>Base price of underlying securities</th><th>DCB range</th></tr><tr><td>Less than JPY 500</td><td>JPY 10</td></tr><tr><td>JPY 500 or more, but less than JPY 1,000</td><td>JPY 20</td></tr><tr><td>JPY 1,000 or more, but less than JPY 3,000</td><td>JPY 50</td></tr><tr><td>JPY 3,000 or more, but less than JPY 5,000</td><td>JPY 100</td></tr><tr><td>JPY 5,000 or more, but less than JPY 10,000</td><td>JPY 200</td></tr></table>	Base price of underlying securities	DCB range	Less than JPY 500	JPY 10	JPY 500 or more, but less than JPY 1,000	JPY 20	JPY 1,000 or more, but less than JPY 3,000	JPY 50	JPY 3,000 or more, but less than JPY 5,000	JPY 100	JPY 5,000 or more, but less than JPY 10,000	JPY 200	<div>• For DJIA futures and Nikkei 225 VI futures, it will remain unchanged from current rules.</div> <div>• For Nikkei Average options, same as current rules.</div>
Base price of underlying securities	DCB range													
Less than JPY 500	JPY 10													
JPY 500 or more, but less than JPY 1,000	JPY 20													
JPY 1,000 or more, but less than JPY 3,000	JPY 50													
JPY 3,000 or more, but less than JPY 5,000	JPY 100													
JPY 5,000 or more, but less than JPY 10,000	JPY 200													

Items	Contents		Notes
(8) Strategy Trading		JPY 10,000 or more, but less than JPY 30,000	JPY 500
		JPY 30,000 or more, but less than JPY 50,000	JPY 1,000
		JPY 50,000 or more, but less than JPY 100,000	JPY 2,000
		JPY 100,000 or more, but less than JPY 300,000	JPY 5,000
		JPY 300,000 or more, but less than JPY 500,000	JPY 10,000
		JPY 500,000 or more	JPY 20,000
	d. Duration of temporary trading suspension		
	(a) Futures and options (excluding index options)		
	30 seconds		
	(b) Index options		
	15 seconds		
	<ul style="list-style-type: none"> <li>• Strategy trading will be available to simultaneously trade multiple contract issues which were specified in advance.</li> </ul>		<ul style="list-style-type: none"> <li>• After integration, the implied function will only be available for TOPIX options and options on 10-year JGB futures.</li> </ul>
	a. Futures		
	Calendar spread trades will be available to simultaneously sell and buy a nearer contract month and a farther contract month.		<ul style="list-style-type: none"> <li>• The types of strategy trading will be specified by the Exchange in advance.</li> </ul>
	(a) Index futures		
	A purchase simultaneously sells 1 unit of a nearer contract month and buys 1 unit of a farther contract month.		<ul style="list-style-type: none"> <li>• Same as current rules.</li> </ul>
	(b) JGB futures		
	A purchase simultaneously buys 1 unit of a nearer contract month and sells 1 unit of a farther contract month.		<ul style="list-style-type: none"> <li>• Same as current rules.</li> </ul>
	b. Options		
	Options trading strategies will be available to simultaneously sell or buy		<ul style="list-style-type: none"> <li>• Basically, market users will be able to</li> </ul>

Items	Contents	Notes
(9) Off-auction Trading (J-NET Trading)	multiple contracts whose underlying assets are the same.	set any combination of short and long legs for up to 4 issues. However, strategy trading that combines futures and options (the delta neutral strategy trading) will not be available.
	<ul style="list-style-type: none"> <li>• In principle, current OSE rules will be applied.</li> <li>a. Type of trading               <ul style="list-style-type: none"> <li>(a) J-NET Single Issue Trading</li> <li>(b) J-NET Combo Trading</li> </ul> </li> <li>b. Increments of bids and offers               <p>In principle, current rules will be applied.</p> </li> <li>c. Trading hours               <ul style="list-style-type: none"> <li>(a) Index futures and options                   <p>From 8:20 a.m. to 4:00 p.m.</p> <p>From 4:15 p.m. to 3:00 a.m. the next day</p> </li> <li>(b) JGB futures and options</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• J-NET Combo Trading shall mean trading to simultaneously sell and buy multiple issues.</li> <li>• The increment of bids and offers for TOPIX options will be 0.1 points.</li> <li>• The increment of bids and offers for individual securities options will be JPY 0.10. (In the case where the trading unit of the underlying security is 1 share, it will be JPY 1.00.)</li> <li>• The start of J-NET night trading for index futures and options will be changed to 4:15 p.m.</li> <li>• The end of the J-NET night trading for</li> </ul>

Items	Contents	Notes
	<p>From 8:20 a.m. to 3:15 p.m.  From 3:25 p.m. to 3:00 a.m. the next day  (c) Individual securities options  From 8:20 a.m. to 4:00 p.m.  d. Prices for J-NET trading  (a) Index futures  i. Stock index futures (Nikkei Average futures, TOPIX futures, TOPIX Core30 futures, Banks Index futures, TSE REIT Index futures, RNP Index futures and DJIA futures)  The DCB reference price +/- 8% of the base price  for the daily price limits of the issue  ii. Nikkei 225 VI futures  The DCB reference price +/- 20% of the base price  for the daily price limits of the issue  iii. Dividend Index futures (Nikkei Stock Average Dividend Point Index futures, TOPIX Dividend Index futures and TOPIX Core30 Dividend Index futures)  The DCB reference price +/- 10% of the base price  for the daily price limits of the issue  (b) JGB futures  The DCB reference price +/- 0.5% of the base price  for the daily price limits of the issue  (c) Index options  The theoretical price +/- 8% of the last execution price of  the underlying index</p>	<p>JGB futures and options will be changed to 3:00 a.m. the next day.  • Same as current rules.</p> <p>• In conjunction with revision of the calculation method for prices for J-NET trading, the multiplier of the price range for stock index futures will be increased from 5% to 8%.</p> <p>• The multiplier of the price range for index options will be increased from 5% to 8%, in the same way as stock</p>

Items	Contents	Notes
(10) Others	<p>(d) Options on 10-year JGB futures The DCB reference price +/- 0.5 of the base price for the daily price limits of the underlying futures contract month</p> <p>(e) Individual securities options The theoretical price +/- 8% of the base price for the daily price limits of the underlying security</p> <p>a. Selection criteria for underlying securities and delisting criteria for individual securities options Current OSE rules will be applied.</p> <p>b. Market maker rules We will continue to consider the continued implementation of the market maker rules that are currently applied by OSE and TSE after the integration.</p>	<p>index futures.</p> <ul style="list-style-type: none"> <li>• The multiplier of the price range for individual securities options will be increased from 5% to 8%, in the same way as stock index futures.</li> <li>• Market maker rules after integration will be published separately this fall.</li> </ul>
<p>2. Trading Participant Rules</p> <p>(1) Handling of trading qualification</p>	<ul style="list-style-type: none"> <li>• OSE futures, etc. trading participants will be able to trade all derivatives products listed on the TSE derivatives market.</li> </ul>	<ul style="list-style-type: none"> <li>• The foreign exchange trading qualification will remain unchanged from current rules.</li> <li>• Futures, etc. trading participants will be able to trade all futures and options products other than exchange FX contracts.</li> <li>• Trading participant admission fee, participant bond, trading participation</li> </ul>

Items	Contents	Notes
	<ul style="list-style-type: none"> <li>• TSE general trading participants which do not hold OSE futures, etc. trading qualification will be granted the OSE futures, etc. trading qualification on the integration date.</li> <li>• OSE will newly establish a “government bond futures, etc. trading qualification” for trading of JGB futures and options. TSE government bond futures, etc. trading participants will be granted this new qualification on the integration date.</li> </ul>	<p>security money and handling of various application documents will be published separately this fall, in the same way as trading participation fee described in (3) below.</p> <ul style="list-style-type: none"> <li>• TSE general trading participants or TSE government bond futures, etc. trading participants that are granted OSE futures, etc. trading qualification or OSE government bond futures, etc. trading qualification will be exempted from trading participant admission fee and examination fee.</li> <li>• The granting of such trading qualification by OSE will be subject to the condition that the financial condition of the TSE trading participant does not fall under the provisions of each item of Rule 43, Paragraph 2 of OSE's Trading Participant Regulations such as suspension of or restrictions on derivatives trading, etc.</li> </ul>
	<ul style="list-style-type: none"> <li>• TSE general participant qualification will continue to be a qualification for carrying out securities trading. However, the cash trading qualification,</li> </ul>	

Items	Contents	Notes
<p>(2) Examination criteria for acquisition of trading qualification</p> <p>(3) Trading participation fees</p>	<p>government bond futures, etc. trading qualification, index futures, etc. trading qualification and individual options trading qualification of TSE will be abolished. In addition, TSE cash trading participants will be granted TSE general trading qualifications on the integration date.</p> <ul style="list-style-type: none"> <li>• In the examination for acquisition of OSE or TSE trading qualifications, among the criteria on financial basis, that on the amount of net assets will be at least JPY 500 million or more and exceed the amount of capital.</li> <li>• Trading participation fee (basic fees, and trading fees, etc.) will be published separately this fall.</li> </ul>	<ul style="list-style-type: none"> <li>• Other examination criteria will remain unchanged from current rules.</li> </ul>
<p>3. Trading System</p> <p>(1) Trading system</p> <p>(2) Give-up at order submission</p> <p>(3) Position transfer</p>	<ul style="list-style-type: none"> <li>• J-GATE will be used for trading related to the derivatives market.</li> <li>• Give-up notification may be made at the same time as order submission.</li> <li>• Position transfers currently being carried out between TSE and LIFFE ADMINISTRATION MANAGEMENT (hereafter "LIFFE") will continue to be carried out between OSE and LIFFE after integration.</li> </ul>	<ul style="list-style-type: none"> <li>• Tdex+ System which is currently used at TSE will be abolished, and the derivatives trading system will be integrated to J-GATE.</li> <li>• Give-up at order submission is already available for OSE-listed derivatives products.</li> <li>• Member link agreements, etc. will need to be updated to reflect that position transfers will be conducted between OSE and LIFFE. The various procedures for updating such</li> </ul>



Items	Contents	Notes
		agreements will be notified separately.
4. Others (1) Transfer of unsettled contracts (2) Handling of evening sessions at TSE on the business day prior to the integration date (3) Partial omission of descriptions in order tickets (4) Others	<ul style="list-style-type: none"> <li>Unsettled contracts in TSE derivatives products on the business day prior to the integration date will be handled on the integration date as unsettled contracts in OSE derivatives products.</li> <li>TSE will not hold evening sessions on the business day prior to the integration date (since trades in said sessions are handled as trades on the integration date) to facilitate smooth integration.</li> <li>Trading participants and their clients will not be required to indicate a new sale or purchase, or a resale or repurchase when making bids or offers and when entrusting orders.</li> <li>Other necessary revisions will be made.</li> </ul>	<ul style="list-style-type: none"> <li>Trading in Tdex+ System will cease following the end of the afternoon session of the business day prior to the integration date.</li> <li>Night sessions at OSE will be held as per normal on the business day prior to the integration date.</li> </ul>

### III. Implementation Date (Scheduled)

These rules and regulations will be implemented in March 2014.

## Resumption of 20-year JGB Futures Trading

June 18, 2013

Osaka Securities Exchange Co., Ltd.

Tokyo Stock Exchange, Inc.

Items	Contents	Notes
I. Purpose	<ul style="list-style-type: none"> <li>In light of the recent moves in interest rates and changes in the market environment, from the perspective of diversifying the means for investment in the JGB market, trading of 20-year JGB futures, which are currently dormant, will be resumed.</li> </ul>	
II. Contract Specifications		
1. Underlying Standardized Government Bonds	<ul style="list-style-type: none"> <li>The underlying asset shall be standardized super long-term government bonds (hereinafter "20-year JGB").</li> <li>20-year JGB of JPY 100 face value, with 6% interest rate per annum, and 20-year maturity.</li> </ul>	<ul style="list-style-type: none"> <li>Underlying index code will be "02".</li> <li>Large contracts only.</li> </ul>
2. Contract Months and Number thereof	<ul style="list-style-type: none"> <li>The 3 nearest consecutive quarterly contract months, for which the date of delivery settlement is March 20th (to be moved backward accordingly if the date falls on a holiday; the same shall apply hereinafter), June 20th, September 20th, and December 20th, shall each be available for trading for a period of 9 months.</li> <li>The last trading day is the 7th trading day (excluding holidays) prior to the delivery settlement day of each contract month.</li> <li>The first trading day of a new contract month shall be the business day following the last trading day of the nearest contract month.</li> </ul>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> </ul>

## (Reference Translation)

Items	Contents	Notes
III. Auction Trading		
1. Trading Method	<ul style="list-style-type: none"> <li>Trading shall be conducted based on individual auctions handled by the trading system.</li> </ul>	
2. Trading Hours	<ul style="list-style-type: none"> <li>Trading hours shall be as follows.               <ul style="list-style-type: none"> <li>a. Morning session                   <ul style="list-style-type: none"> <li>Opening auction 8:45 a.m.</li> <li>Regular session From 8:45 a.m. to 11:00 a.m.</li> <li>Closing auction 11:02 a.m.</li> </ul> </li> <li>b. Afternoon session                   <ul style="list-style-type: none"> <li>Opening auction 0:30 p.m.</li> <li>Regular session From 0:30 p.m. to 3:00 p.m.</li> <li>Closing auction 3:02 p.m.</li> </ul> </li> <li>c. Night session                   <ul style="list-style-type: none"> <li>Opening auction 3:30 p.m.</li> <li>Regular session From 3:30 a.m. to 2:55 a.m. the next day</li> <li>Closing auction 3:00 a.m. the next day</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> </ul>
3. Trading Unit	<ul style="list-style-type: none"> <li>JPY 100 million face value</li> </ul>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> </ul>
4. Orders		
(1) Increments of bids and offers	<ul style="list-style-type: none"> <li>The increment of bids and offers shall be JPY 0.05 per face value of JPY 100.</li> </ul>	
(2) Daily price limits	<ul style="list-style-type: none"> <li>The base price for the daily price limits shall be the previous day's settlement</li> </ul>	<ul style="list-style-type: none"> <li>The base price for the daily price limits will</li> </ul>

## (Reference Translation)

Items	Contents	Notes
(3) Temporary trading suspension (Circuit Breaker)	<p>price. (If such price is not available, it shall be the theoretical price.)</p> <ul style="list-style-type: none"> <li>In the case where the trigger criteria of the following a. for the central contract month is activated, trading of all contract months will be halted for a certain minutes and the daily price limits will be expanded. However, in cases which fall under the exemptions of the following b., trading will not be halted and the daily price limits will not be expanded.</li> </ul> <p>a. Trigger criteria</p> <p>In the case where a buy (sell) order is placed (or executed) for the central contract month at the upper (lower) daily price limit, and no subsequent trades are executed outside the Dynamic Circuit Breaker range specified in (4) from said price in the next minute.</p> <p>b. Exemption</p> <p>(a) In the case where the above criteria is met within 20 minutes before the end of the regular session of the afternoon or night session.</p> <p>(b) In the case where the circuit breaker criteria is met again after the daily upper (lower) price limit has been expanded to the 2nd expansion range.</p>	<p>be updated on a trading day basis. (A single trading day begins from the start of the previous day's night session to the end of the afternoon session).</p> <ul style="list-style-type: none"> <li>Details on daily price limits will be discussed separately.</li> <li>Same as 10-year JGB futures.</li> </ul>
(4) Dynamic Circuit Breaker	<ul style="list-style-type: none"> <li>The Dynamic Circuit Breaker (hereinafter "DCB") described in the following a. and b. shall be applied.</li> </ul> <p>a. When a bid or offer that is likely to be executed beyond the price range which is determined by the Exchange from the DCB reference price as</p>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> <li>The DCB reference price shall be the mid-point price of the best bid and offer</li> </ul>

## (Reference Translation)

Items	Contents	Notes
(5) Strategy Trading  (6) Market Maker Rules	<p>described in b. below (hereinafter "DCB range") is accepted, all matching trades within the DCB range will be executed and trading will be suspended for a certain period.</p> <p>b. When the matching price after trading is suspended by a certain period described in a. above falls beyond the DCB range from the reference price, trading will not be resumed and the DCB reference price will be updated to the price nearest the matching price within the DCB range, and trading will again be suspended for a certain period.</p> <ul style="list-style-type: none"> <li>• Calendar spread trading will simultaneously sell and buy a near contract month and a farther contract month.</li> <li>• A purchase simultaneously buys 1 unit of a nearer contract month and sells 1 unit of a farther contract month.</li> <li>• All contract month combinations will be available in calendar spread trading.</li> <li>• To be considered separately.</li> </ul>	<p>(including the execution price; hereinafter "BBO mid-price").</p> <ul style="list-style-type: none"> <li>• The DCB range shall be up/down JPY 0.30 from the reference price.</li> <li>• The duration of the trading suspension shall be 30 seconds.</li> <li>• Same as 10-year JGB futures.</li> <li>• The increments of bids and offers for strategy trading shall be JPY 0.01.</li> <li>• Implied function will not be available.</li> </ul>
5. Give-up	<ul style="list-style-type: none"> <li>• Give-up (including at order submission) will be available.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as 10-year JGB futures.</li> </ul>
6. Trading Halts	<ul style="list-style-type: none"> <li>• The Exchange may halt trading in 20-year JGB futures in the cases prescribed in each of the following a. and b.</li> <li>a. When the Exchange deems there is, or is likely to be, abnormality in the trading conditions of 20-year JGB futures contracts, or deems that it is inappropriate to continue trading for administrative reasons;</li> <li>b. When the Exchange deems it difficult to continue trading through its trading system due to problems in system operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as 10-year JGB futures.</li> </ul>

(Reference Translation)

Items	Contents	Notes
7. Restrictions on Trading	<ul style="list-style-type: none"> <li>When the Exchange deems there is, or is likely to be, abnormality in the trading situation of 20-year JGB futures contracts, the Exchange may take any necessary regulatory action(s), such as moving forward the day and time of submitting margin, as prescribed by the Exchange in its rules, with respect to trading in 20-year JGB futures in the Exchange market or acceptance of customers' orders therefor.</li> </ul>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> </ul>
IV. J-NET Trading		
1. Trading Method	<ul style="list-style-type: none"> <li>In the case where an offer or a bid is matched with an opposite order that was made to execute said offer or bid, the Exchange will execute a transaction of these orders. (J-NET Single Issue Trading)</li> <li>Trades that simultaneously sell or buy multiple issues will be allowed. (J-NET Combo Trading)</li> </ul>	<ul style="list-style-type: none"> <li>Same as auction trading unless described in this item.</li> <li>Same as J-NET trading of 10-year JGB futures.</li> <li>The minimum trading unit in J-NET trading will be 1 unit.</li> </ul>
2. Trading Hours	<ul style="list-style-type: none"> <li>From 8:20 a.m. to 3:15 p.m. and from 3:25 p.m. to 3:00 a.m. the next day</li> </ul>	<ul style="list-style-type: none"> <li>Same as J-NET trading of 10-year JGB futures.</li> </ul>
3. Increments of Bids and Offers	<ul style="list-style-type: none"> <li>Integral multiples of JPY 0.01 per face value of JPY 100.</li> </ul>	<ul style="list-style-type: none"> <li>Same as J-NET trading of 10-year JGB futures.</li> </ul>
4. Price for J-NET Trading	<ul style="list-style-type: none"> <li>The price will be within the range from the following a. to b.               <ul style="list-style-type: none"> <li>a. Price (in cases where such price is less than JPY 0.01, it shall be JPY 0.01) obtained by deducting [the numerical value obtained by multiplying the base price for the daily price limits of a contract month by 0.5%] from the DCB reference price (the latest BBO mid-price).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The J-NET trading reference price during the order acceptance period will be the latest price.</li> </ul>

## (Reference Translation)

Items	Contents	Notes
	b. Price obtained by adding [the numerical value obtained by multiplying the base price for the daily price limit for the contract month by 0.5%] to the DCB reference price.	
V. Trading Participants	• Futures, etc. trading participants and government bond futures, etc. trading participants will be able to trade 20-year JGB futures.	• Same as 10-year JGB futures.
VI. Clearing and Settlement 1. Clearing Organization	• Trades of 20-year JGB futures shall be cleared by Japan Securities Clearing Corporation (hereinafter "JSCC") as the designated clearing house.	• Same as 10-year JGB futures.
2. Declaration of Resale or Repurchase	<ul style="list-style-type: none"> <li>• Clearing participants shall make a declaration regarding the items below to JSCC by a time specified by JSCC, and non-clearing participants shall make such declaration to its designated clearing participant by a time specified by said clearing participant. However, non-clearing participants will be allowed to make a declaration directly to JSCC based on JSCC provisions.</li> <li>• In the case of resale or repurchase, the classification of entrustment by clearing participant's customer or proprietary account and the number of contracts for each contract month in the transaction.</li> </ul>	• Same as 10-year JGB futures.
3. Settlement Price	• Settlement prices shall be prices specified by JSCC.	
4. Mark-to-Market	• Delivery and receipt of the following differences in the amounts shall be made between clearing participants and JSCC and between non-clearing participants and their designated clearing participants.	• Same as 10-year JGB futures.

## (Reference Translation)

Items	Contents	Notes
	<ul style="list-style-type: none"> <li>a. With regard to new transactions on the trading day, the amount for the differences between the day's settlement price and the execution price.</li> <li>b. With regard to unsettled contracts (excluding the above item a.), the amount for the difference between the previous day's settlement price and the day's settlement price.</li> </ul>	
5. Margin	<ul style="list-style-type: none"> <li>• Clearing participants shall submit or deposit to JSCC, and non-clearing participants shall submit or deposit to their designated clearing participants an amount of margin described in the item below.</li> <li>• The amount of margin equivalent to or greater than that required by JSCC, in accordance with the classification of entrustment by clearing participant's customer or proprietary account.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as 10-year JGB futures.</li> </ul>
6. Final Settlement		
(1) Delivery Settlement	<ul style="list-style-type: none"> <li>• Open positions for which resale or repurchase transactions were not made by the last trading day shall be settled by physical delivery on the delivery day.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as 10-year JGB futures.</li> </ul>
(2) Deliverable Grade	<ul style="list-style-type: none"> <li>• Coupon-bearing 20-year government bond with a remaining period to maturity of 18 years or more but less than 21 years on both the issuance and delivery settlement days.</li> </ul>	
(3) Conversion Factor	<ul style="list-style-type: none"> <li>• The conversion factor between the standardized government bonds and deliverable bonds when conducting physical delivery shall be calculated based on the "Table for Computation of Conversion Factors between Standardized Government Bonds and Deliverable Bonds" currently prescribed by TSE.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as 10-year JGB futures.</li> </ul>
(4) Delivery Settlement Price	<ul style="list-style-type: none"> <li>• In delivery settlement, the reference price for calculating the amount to be paid or received shall be the settlement price which is prescribed by JSCC for the</li> </ul>	<ul style="list-style-type: none"> <li>• Same as 10-year JGB futures.</li> </ul>



## (Reference Translation)

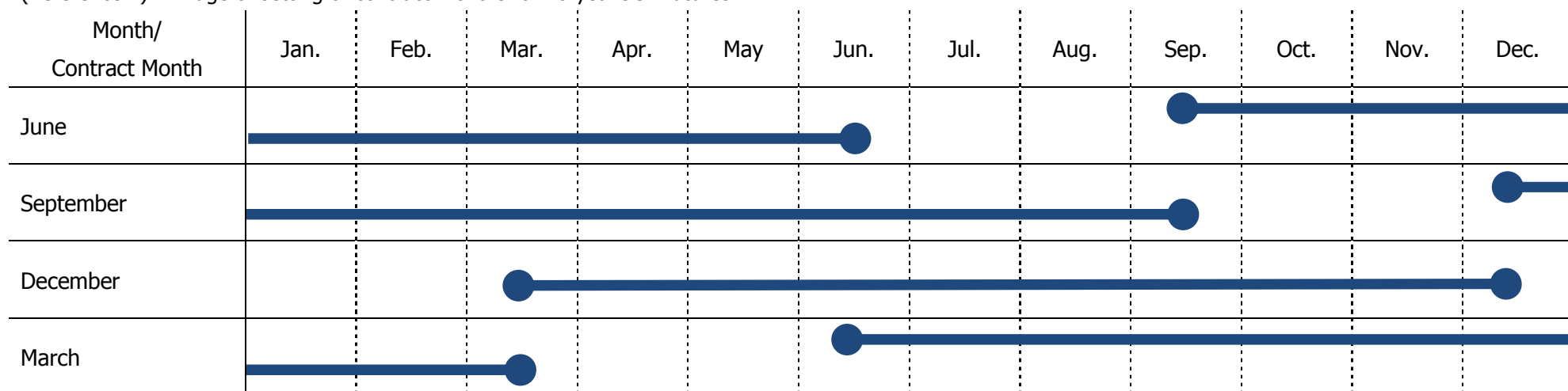
Items	Contents	Notes
(5) Amount for Settlement by Physical Delivery	<p>contract month on the last trading day.</p> <ul style="list-style-type: none"> <li>The amount to be paid or received for settlement by physical delivery shall be calculated by multiplying the amount obtained by the product of the delivery settlement price and the conversion factor calculated for each deliverable bond by 1/100 of the total amount of the face value of such deliverable bond.</li> </ul>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> </ul>
VII. Others		
1. Publication of Market Information	<ul style="list-style-type: none"> <li>The following information will be disseminated. <ul style="list-style-type: none"> <li>(1) The opening, highest, lowest, and closing prices.</li> <li>(2) Trading volume of each contract month and total trading volume of all contract months.</li> <li>(3) Open interest of each contract month</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Same as 10-year JGB futures.</li> </ul>
2. Publication of Investment Trends by Investor Category	<ul style="list-style-type: none"> <li>Statistics on investment activity by different categories of investors will be aggregated and published.</li> </ul>	
3. Reporting of Large Positions	<ul style="list-style-type: none"> <li>Trading participants shall report to the Exchange net open interest (the amount of difference between short positions and long positions) of 500 or more contracts for its own account or entrustment by each customer on the trading days specified by the Exchange.</li> <li>The trading days specified by the Exchange shall be as follows. <ul style="list-style-type: none"> <li>a. Every trading day ending on a Friday (to be moved forward if the day falls on a holiday) in the month prior to the month that contains the last trading day of the contract month.</li> </ul> </li> </ul>	

(Reference Translation)

Items	Contents	Notes
	b. Every trading day ending on the first day of the month (to be moved back if the day falls on a holiday) in the month containing the last trading day until the last trading day.	
VIII. Implementation Date	• These rules will be implemented in April 2014 (scheduled).	

## (Reference Translation)

(Reference 1) Image of setting of contract months for 20-year JGB futures



(Reference 2) Identification code specifications for 20-year JGB futures

	#1	#2	#3	#4	#5
(1) Composition	Special transaction	Put/call, spot/futures distinction	Contract month	Exercise price, etc.	Underlying index, etc.
	1	□	□ □ □	□ □	□ □
(2) Allocation Method	1	6	9 06 (June 2014) 9 09 (September 2014) 9 12 (December 2014) 0 03 (March 2015)	00	02 (Standardized 20-year JGB)

(e.g.) Identification code for 20-year JGB futures June 2014 contract: [169060002]