

PRESS RELEASE

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April 28, 2015

Osaka Exchange, Inc.

Revision to Contract Specifications for 20-year Japanese Government Bond Futures

We are pleased to announce revisions to the specifications for 20-year Japanese government bond (JGB) futures contracts aimed at invigorating trading by enhancing convenience for market participants.

The 20-year JGB futures market was re-launched in April 2014 in response to growing demand due to an increase in the outstanding amount of 20-year JGB issued. However, the market has faced the challenge of improving liquidity since the re-launch.

OSE has taken into account current market conditions in revising the contract specifications to raise liquidity in the 20-year JGB futures market. The revision will facilitate hedging among investors in 20-year JGBs by bringing the interest rate for standardized 20-year JGB bonds closer to the prevailing interest rate and changing the deliverable grade to bonds with higher liquidity.

Details of the revision are as follows.

- **The interest rate for standardized 20-year government bonds will be lowered to 3% from 6% per annum.**
- The deliverable grade will be revised **to 20-year JGB bonds with longer maturities, to above 19 years 3 months from the current 18 years or more.**
- **The increments of bids and offers will be lowered to JPY 0.01 from JPY 0.05 per JPY 100 face value.**

These revisions will be applied on July 6, 2015 from the December 2015 contract onward.

The market maker scheme for the contracts will also be fine-tuned to incentivize quote displays at attractive prices and further enhance liquidity.

Revised Contract Specifications for JGB Futures

	20-year JGB futures (revised)	20-year JGB futures (current)
Contract	20-year JGB (<u>3%</u> per annum)	20-year JGB (<u>6%</u> per annum)
Deliverable Grade	20-year JGB bonds with remaining maturity of <u>19 years 3 months or more</u> but less than 21 years (limited to those whose month of issue falls in <u>four or more months prior</u> to the month of the date of settlement by delivery/payment.)	20-year JGB bonds with remaining maturity of <u>18 years or more</u> but less than 21 years (limited to those whose month of issue falls <u>three or more months prior</u> to the month of the date of settlement by delivery/payment.)
Contract Unit	100 million yen face value	
Tick Size	<u>JPY 0.01</u> per JPY 100 face value	<u>JPY 0.05</u> per JPY 100 face value
Daily Price Limits	<u>Normal : JPY 4.00</u> <u>Expansion : JPY 6.00</u>	<u>Normal : JPY 6.00</u> <u>Expansion : JPY 9.00</u>
Contract Months	The nearest three consecutive contracts in the March, June, September, and December quarterly cycle.	

*This revision to the 20-year JGB futures contract specifications will be **implemented on July 6, 2015 from the December 2015 contract onward.**

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(Reference Translation)

Revision to Contract Specifications for 20-year Japanese Government Bond Futures

As of April 28, 2015

Osaka Exchange, Inc.

I. Purpose

OSE will revise the contract specifications for 20-year Japanese government bond futures to invigorate trading by enhancing convenience for market participants.

II. Outline

Items	Contents	Remarks
1. Change in Interest Rate for Standardized Government Bond	<ul style="list-style-type: none"> The interest rate for standardized 20-year government bonds shall be 3% per annum. 	<ul style="list-style-type: none"> Currently 6% per annum.
2. Change in Increments of Bids and Offers	<ul style="list-style-type: none"> The increments of bids and offers shall be JPY 0.01 per JPY 100 face value. 	<ul style="list-style-type: none"> Face value (JPY 100) and maturity (20-year) will remain unchanged. Currently, JPY 0.05 per JPY 100 face value.
3. Change in Daily Price Limit	<ul style="list-style-type: none"> The daily price limits shall be as follows: Normal: \pmJPY 4.00 from the base price Expansion: \pmJPY 6.00 from the base price 	<ul style="list-style-type: none"> Increments of bids and offers (JPY 0.01) for J-NET trading and strategy trading will remain unchanged. Current daily price limits are as follows: Normal: \pmJPY 6.00 from the base price Expansion: \pmJPY 9.00 from the base price
4. Change in Deliverable Grade	<ul style="list-style-type: none"> Interest-bearing government bonds with remaining maturity of 19 years 3 months or more but less than 21 years both on the issue date and the day of settlement by delivery, and also whose issue date falls in a month that is 4 or more months prior to the month of the date of settlement by delivery/payment. 	<ul style="list-style-type: none"> In consideration of the current issuance methods, etc., deliverable bonds shall be 20-year interest-bearing government bonds with remaining maturity of 19 years 3 months and 19 years 6 months on the day of settlement by delivery. Currently, interest-bearing government bonds with remaining maturity of 18 years

Items	Contents	Remarks
5. Others	<ul style="list-style-type: none"> Other necessary revisions will be made. 	<p>or more but less than 21 years both on the issue date and the day of settlement by delivery, and also whose issue date falls in a month that is 3 or more months prior to the month of the date of settlement by delivery/payment.</p>

III. Effective Date, etc. (Scheduled)...Refer to table below.

- These rules will be implemented on July 6, 2015.
- With this, OSE will suspend trading in the current December 2015 contract from April 30, 2015 onward and change the last trading day to the business day preceding the effective date (July 3, 2015).
- OSE will stop setting new contracts for the current March 2016 contract on June 12, 2015.
- The changes in the interest rate for the standardized government bond and the deliverable grade will be implemented from the December 2015 contract. For the September 2015 contract, the current specifications for interest rate and deliverable grade will continue to apply (changes in increments of bids and offers and daily price limits will be implemented on the effective date).
- OSE will list the revised specifications for standardized 20-year government bonds on the effective date and start trading the December 2015 and March 2016 contracts on the same day¹.
- OSE will delist the current specifications for standardized 20-year government bonds after the day of settlement by delivery of the September 2015 contract.
- In addition, OSE may postpone the effective date if it deems it inappropriate based on the trading conditions, etc.

¹Futures and options securities identification codes will continue to be assigned based on the current method. Therefore, the same contract month before and after the revision to the contract specifications will share the same code.

Handling of each contract month before and after the revision

	June 2015 contract	September 2015 contract	December 2015 contract	March 2016 contract
Current *1 (Standardized 6% per annum, deliverable grade 18 years or more)	<ul style="list-style-type: none"> • Continue trading until last trading day (Jun. 11) 	<ul style="list-style-type: none"> • Continue trading until last trading day (Sep. 10) • Change increments of bids and offers from Jul. 6 morning session onward 	<ul style="list-style-type: none"> • Suspend trading from Apr. 30 onward • Move up last trading day to Jul. 3 	<ul style="list-style-type: none"> • Stop setting new contract month on Jun. 12
After revision *2 (Standardized 3% per annum, deliverable grade 19 years 3 months or more)	—	—	<ul style="list-style-type: none"> • Start trading new contract month in Jul. 6 morning session 	<ul style="list-style-type: none"> • Start trading new contract month in Jul. 6 morning session

*1 OSE will delist the current specifications for standardized 20-year government bonds after the day of settlement by delivery of the September 2015 contract.

*2 OSE will list the revised specifications for standardized 20-year government bonds on the effective date and start trading the December 2015 and March 2016 contracts on the same day.