

BCP Forum: Outline of 2nd Report of Technical Committee on Exchange Transactions

The Technical Committee used the BCP of the JPX Group as the standard case to discuss and identify issues in exchange BCP in light of changes in the market environment. Discussions considered matters including lessons from the March 2011 Great East Japan Earthquake, the government's review of damage estimates for the Tokyo Inland and Nankai Trough earthquakes, advancements in exchange trading technology, and the changing shares of activity among trading participants.

Review of JPX Group Backup Systems in Wide-Area Disaster (*)

Item	Current Backup Plan	Issues in Wide-Area Disaster	Response
Sites for market management and administration	<ul style="list-style-type: none"> ✓ If Tokyo site (Kabutocho, cash equities) is affected by disaster, staff will move to Kanto backup operations office. ✓ If Osaka site (Kitahama, derivatives) is affected by disaster, staff will move to nearby backup operations office. 	<ul style="list-style-type: none"> ✓ Difficulty in moving to backup operations office in Tokyo Inland or Nankai Trough earthquake, due to disrupted transportation services, road closure, fires, and collapsed buildings, etc. ✓ Possibility of unavailability of backup operations office due to damage to social infrastructure 	<ul style="list-style-type: none"> ✓ Strengthen backup plan for wide-area disaster by making Tokyo (Kabutocho) and Osaka (Kitahama) sites serve as backup for each other ✓ Details on operational procedures for wide-area disaster should be coordinated with other securities infrastructure providers.
System operations sites	<ul style="list-style-type: none"> ✓ If Tokyo Metropolitan area site is affected by disaster, staff will move to Kanto backup operations site. 	<ul style="list-style-type: none"> ✓ Difficulty in moving to backup operations site in Tokyo Inland Earthquake due to disrupted transportation services, road closure, fires, and collapsed buildings, etc. 	<ul style="list-style-type: none"> ✓ Establish a backup operations site in Osaka (Kitahama) to conduct operations remotely
Data centers	<ul style="list-style-type: none"> ✓ If main data center is affected by disaster, operations will switch to Kanto backup data center (DC) to continue service provision. 	<ul style="list-style-type: none"> ✓ Power shortage at Tokyo Metropolitan area main DC and Kanto backup DC in Tokyo Inland Earthquake 	<ul style="list-style-type: none"> ✓ JPX Group presented the following measures: <ul style="list-style-type: none"> - Move backup DC to location far from main DC to prevent simultaneous disruption (including damage to social infrastructure) in wide-area disaster - Extend network to new backup DC - Construct new access point near new backup DC (also provide access via existing access points) ✓ In pursuing above plans, JPX Group should ensure that market users have sufficient understanding of requirements and construction schedule.

Review of Contingency Plan based on Current Market Environment (*)

Item	Current Trigger Criteria	Issues	Response
Trading suspension based on trading value share	<ul style="list-style-type: none"> ✓ If combined past trading value share of trading participants (TP) that are unable to participate in trading exceeds about 20%, suspend trading in all issues. 	<ul style="list-style-type: none"> ✓ Increased calls for business continuity in securities market after Great East Japan Earthquake ✓ Top two TP at TSE combine for more than 20% of trading value. Suspending all trading when they cannot trade will deprive even more investors of trading opportunities. 	<ul style="list-style-type: none"> ✓ JPX Group should raise the criterion to "50%" for the TSE market to allow it to better convey the message that Japan's main market continues to function during a disaster. ✓ The "50%" criterion should not function as a hard trigger, but should serve as a guideline for suspending trading alongside a comprehensive assessment of factors including the extent of disaster damage and exchanges' social role.
Trading suspension based on market capitalization	<ul style="list-style-type: none"> ✓ If system failure in TSE market causes difficulty in trading of issues totaling more than 20% of overall market capitalization, suspend trading in all issues. 	<ul style="list-style-type: none"> ✓ If market capitalization of affected issues exceeds 20%, the situation might impact passive fund managers and arbitrageurs. However, suspending all trading will deprive even more investors of trading opportunities. 	<ul style="list-style-type: none"> ✓ Based on the principle of continuing trading as far as possible, the market capitalization criterion should be abolished. ✓ If some issues cannot be traded, the situation should be made known to all market users in a swift and timely manner.

*Exchanges outside the JPX Group are expected to review their current situations and respond accordingly.

[TRANSLATION]

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