



NRI's Order Management System Directly Connected to TSE CONNEQTOR

- Contributing to Reduction of Trading Costs through Vitalization of ETF Market -

Tokyo, September 5, 2022 – Nomura Research Institute, Ltd. (NRI), a leading provider of consulting services and system solutions, and Tokyo Stock Exchange, Inc. (TSE) have agreed to directly connect NRI's order management system to TSE's electronic platform for ETFs, CONNEQTOR. NRI provides asset management companies with SmartBridge Advance (SBA)¹, an order management system for securities (OMS), which will be the first OMS directly connected to CONNEQTOR.

This direct connection will enable asset management traders to automatically transmit the order data input into SBA to CONNEQTOR and immediately and reliably execute trades with market makers around the world on CONNEQTOR². As a result, it is expected to reduce costs in ETF trading and help asset management companies streamline their business operations.

Background and purpose of this agreement

■ **CONNEQTOR to reduce trading costs of large orders and streamline business operations**

To improve these situations, TSE has provided CONNEQTOR, a platform which automates requests for quote (RFQ)³ to multiple market makers since 2021. The monthly trading value in June 2022 was recorded at approximately JPY 150 billion. CONNEQTOR enables institutional investors to trade with world's best market makers and helps reduce costs in ETF trading and streamline business operations. When executing large orders, institutional investors generally conduct trading on the off-auction market instead of the auction market to avoid potential risks such as information leakage and price changes. However, since off-auction trading is conducted through negotiation, there is no systematic procedure, and manual operations such as telephone conversations are required in most cases. There is also a counterparty risk⁴, so institutional investors seem to limit trading to a certain number of securities companies.

■ **Direct connection of CONNEQTOR to OMS to help reduce trading costs and streamline business operations**

Currently, CONNEQTOR users need to manually input orders on a designated screen. As asset management companies which manage investment trusts, pensions and the like often use OMS, they must re-enter orders to use CONNEQTOR. As such, many management companies wanted OMS and CONNEQTOR to be connected directly.

Therefore, NRI and TSE have decided to directly connect CONNEQTOR to SBA, a major OMS used by more than 30 asset management companies. This will enable SBA users to use CONNEQTOR without changing their workflow and is expected to reduce costs in trading large orders and help streamline

business operations. These functions are scheduled to be directly connected in spring 2023.

The direct link between CONNEQTOR and SBA will enable asset management companies to access ETF markets more easily and efficiently, which is expected to vitalize the ETF market. Starting with this collaboration, TSE and NRI will continue to help create a more efficient and convenient market environment.

About NRI

Founded in 1965, NRI is a leading global provider of system solutions and consulting services, including management consulting, system integration, and IT management and solutions for the financial, manufacturing, retail and service industries. Clients from all layers of these individual industries partner with NRI to tap NRI's research expertise and innovative solutions across the organization to expand businesses, design corporate structures and create new business strategies. NRI has more than 13,000 employees in more than 50 offices globally including New York, London, Tokyo, Hong Kong, Singapore, and Australia. NRI reports annual sales above \$4.6 billion. NRI is rated "A" by S&P Global Ratings Japan. For more information, visit www.nri.com/en

About TSE

TSE is licensed as a financial instruments exchange under the Financial Instruments and Exchange Act and operates financial instruments markets. The market capitalization of companies listed on the TSE is the third largest in the world and the largest in Asia, and we have established our position as the central market in Japanese securities. TSE also serves as a one-stop market and offers a wide variety of ETFs and ETNs linked to Japanese and foreign stock price indices, commodity indices such as precious metal and agricultural products, REIT indices, and leveraged and inverse indicators calculated by multiplying the daily fluctuation rate of the underlying indicators. TSE is a wholly owned subsidiary of Japan Exchange Group, Inc. (Code: 8697).

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- ¹ NRI's system solution to support overall front operations of asset management companies such as operations for fund managers and trading operations as well as coordination with back-office operations
https://www.nri.com/jp/service/solution/fis/smartbridge_advance
 - ² CONNEQTOR has made agreements with market makers worldwide which provide quotes in response to RFQs. Competition among market makers will reduce trading costs for investors.
 - ³ To request that market makers offer prices by inputting issues and the number of shares they wish to trade
 - ⁴ A risk of failing settlement due to counterparty defaults