

# Revision of ETFMM: Expansion of the Sponsored scheme [From April 2026]

- Starting in April 2026\*, the scheme will be expanded to allow more detailed sponsor settings.
- The main updates introduce the following additional options within the Sponsored MM Scheme:
  - **(1) CA/Opening Sponsor:** Enables sponsor settings specifically for the closing auction (CA) and morning opening auction.
  - **(2) Daily Sponsor:** Allows incentives paid to market makers to be determined on a daily basis, with an optional weighting mechanism to vary incentive amounts by day.

## (1) CA Sponsor / Opening Sponsor

(Overview)

(Objectives)

**Setting sponsored conditions for the Closing Auction (CA) and morning opening**

In addition to existing sponsors, **sponsored conditions can be set for the "CA" and "morning opening"**

Enhancing liquidity at the closing and morning opening.

## (2) Daily Sponsor

**Daily Calculation of Incentives**

**Allow the incentive calculation cycle to be selected as either "monthly" or "daily"**  
 \*For "daily", MMs receive the incentive for that day upon fulfilling their obligation for one business day.

Even if a MM cannot provide quotes during the entire month, incentives can be paid for days on which obligations were fulfilled.

**Weighting of Incentive Amounts by "Daily Sponsor"**

**Enable weight settings to adjust incentive amounts up or down depending on the day**

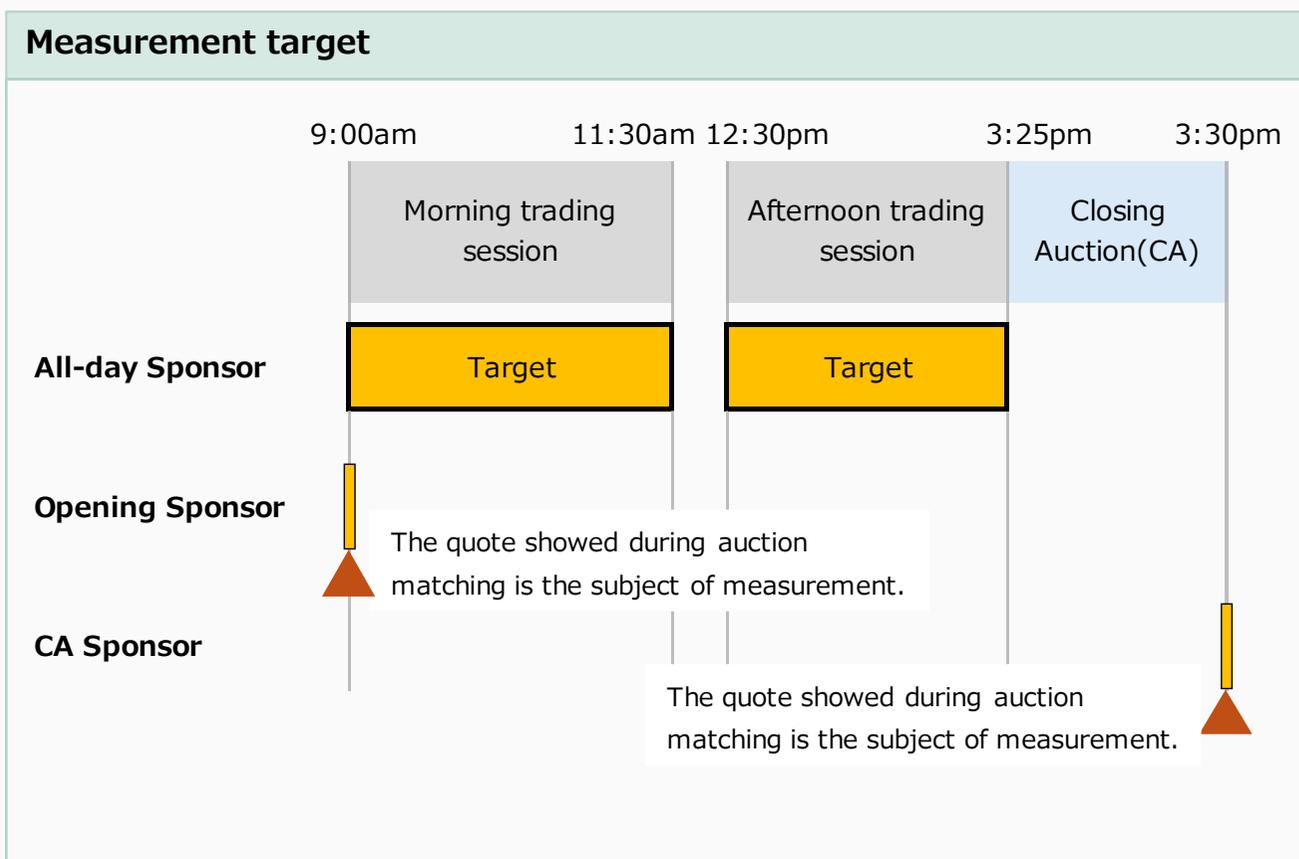
Enable the setting of commensurate incentive amounts on relatively challenging days such as blackout days.

\* If the operation of the market-making performance calculation system is disrupted or for other unavoidable reasons, and TSE determines that implementation in April 2026 is not appropriate, implementation shall be postponed to May 2026 or later.

# (1) CA Sponsor / Opening Sponsor

- For “CA Sponsors,” quotes are measured targeting in CA matching, and for “Opening Sponsors,” quotes are measured targeting the morning opening matching.  
(Previous sponsors (“All-Day Sponsors”) targeted the entire trading session's continuous trading.)
- Spreads and Quantities will be measured in the same manner as previous sponsors and determine the status of obligation fulfillment as OK/NG.
- Quoting time is determined in days  

$$[\text{Quotation Time (\%)}] = [\text{Number of days fulfilling the obligations}] / [\text{Number of trading days}]$$



## Measuring Methods for Obligations

- Spread/Quantity → The same as previous sponsors
- Quoting time (%) =  $\frac{\text{Number of days fulfilling the obligations}}{\text{Number of trading days}}$

Ex. For a month with 20 business days, if obligations were fulfilled on 18 business days Quotation time is calculated as 90%.

$$\frac{18 \text{ business days}}{20 \text{ business days}} = 90\%$$

## Calculation Method for Incentives

- In addition to “Fixed compensation” and “Trading volume proportional [All-day],” **“Trading volume proportional [CA/Opening]”** is selectable
- Priority conditions for incentive payments can be selected from: **“Trading volume proportional [All-day]”, “Transaction Volume Proportion (CA/opening)”, “Quoting time” and “Sign-up date”**

\*If the morning opening auction is not matched by 9:00 AM, determination occurs at the time of first matching. If not matched by the morning session closing, determination occurs at the time of the morning session closing matching.

\*CA sponsor and opening sponsor cannot be grouped with other conditions or have AUM triggers set.

\*Multiple sponsors can be assigned to the same ETF, regardless of sponsor type (all-day/opening/CA).

## (2) Daily Sponsor

- Evaluate the status of obligation fulfillment daily and determine the incentive amount daily. (Previous sponsors evaluated obligation fulfillment status on a monthly cumulative basis and determined incentive amounts monthly.)
- The daily incentive amount is determined by the total incentive amount and weight.
  - “Without weight”: The total incentive amount is prorated based on the number of business days in the month.
  - “With weight”: The total incentive amount is prorated based on the monthly weight [0.1 to 999.9].
- For daily sponsor, AMs can also select the target period (all-day/CA/opening) and incentive payment method. (fixed compensation/trading volume proportional (all-day)/ trading volume proportional (CA/opening))

### [Example] Fixed compensation

#### Ex.1 Without weight/CA Sponsor/Fixed compensation

- Monthly incentive: JPY100,000 for top 2MMs (total JPY200,000)
  - Daily incentive: JPY100,000 / 18 business days = JPY5,555
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- On each day, pay JPY5,555 to each of the top 2MMs who fulfilled their obligations.
  - If market maker A becomes one of the top 2 within 12 business days; The incentives received are, JPY66,660 (=JPY5,555 × 12days)

#### Ex.2 With weight/All-day sponsor/ Fixed compensation

- Monthly incentive: JPY100,000 for top 2MMs (total JPY200,000)
  - Daily incentive: Based on weight, as shown in the right table
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- On each day, the top 2MMs that fulfilled their obligations shall be paid the daily incentive amount shown in the table on the right.
  - If market maker B ranks among the top 2 MMs from Feb.2-19; The incentives received are, JPY52,500

Example 2		Weight	Daily incentive amount /MM
2026/2/2	Mon	1	2,500
2026/2/3	Tue	1	2,500
2026/2/4	Wed	1	2,500
2026/2/5	Thu	1	2,500
2026/2/6	Fri	1	2,500
2026/2/9	Mon	1	2,500
2026/2/10	Tue	1	2,500
2026/2/12	Thu	2	5,000
2026/2/13	Fri	2	5,000
2026/2/16	Mon	2	5,000
2026/2/17	Tue	2	5,000
2026/2/18	Wed	3	7,500
2026/2/19	Thu	3	7,500
2026/2/20	Fri	4	10,000
2026/2/24	Tue	4	10,000
2026/2/25	Wed	4	10,000
2026/2/26	Thu	4	10,000
2026/2/27	Fri	3	7,500
(Total)		40	100,000

## (2) Daily Sponsor

- For daily sponsors, AMs can choose “trading volume proportional (all-day)” and “trading volume proportional (CA/opening).”
- In the case of daily sponsor, the daily incentive pool is prorated based on daily trading volume.

### [Example] Trading volume proportional

#### Ex.1 Without weight/CA Sponsor/Trading volume proportional(CA)

- Monthly incentive: total JPY200,000 for top 2MMs
- Daily incentive: JPY200,000 / 18 business days = JPY11,111
- On Feb 2, market makers C and D fulfilled their obligations, with each MM's CA trading volume as follows:

Market maker C: 140units    Market maker D: 60units

- The incentive for Feb 2 will be paid by allocating JPY11,111 based on the trading volume (CA) of market makers C and D.
- The incentive for Feb 2 is as follows:

Market maker C: JPY7,777    Market maker D: JPY3,333

#### Ex.2 With weight/Daily sponsor/ Trading volume proportional(all-day)

- Monthly incentive: total JPY200,000 for top 2MMs
- Daily incentive: Based on weight, as shown in the right table (JPY5,000 for Feb 2)
- On Feb 2, market makers E and F fulfilled their obligations. Each MM's daily trading volume (all-day) is as follows:

Market maker E: 700units    Market maker F: 300units

- The incentive for Feb 2 will be paid by prorating JPY5,000 based on the trading volume (all-day) of market makers E and F.
- The incentive for Feb 2 is as follows:

Market maker E: JPY3,500    Market maker F: JPY1,500

Example 2		Weight	Daily incentive amount /MM
2026/2/2	Mon	1	5,000
2026/2/3	Tue	1	5,000
2026/2/4	Wed	1	5,000
2026/2/5	Thu	1	5,000
2026/2/6	Fri	1	5,000
2026/2/9	Mon	1	5,000
2026/2/10	Tue	1	5,000
2026/2/12	Thu	2	10,000
2026/2/13	Fri	2	10,000
2026/2/16	Mon	2	10,000
2026/2/17	Tue	2	10,000
2026/2/18	Wed	3	15,000
2026/2/19	Thu	3	15,000
2026/2/20	Fri	4	20,000
2026/2/24	Tue	4	20,000
2026/2/25	Wed	4	20,000
2026/2/26	Thu	4	20,000
2026/2/27	Fri	3	15,000
(Total)		40	200,000

\*For daily sponsor, grouping with other conditions and setting AUM triggers are not permitted.

\*Multiple sponsors may continue to be assigned to the same ETF, regardless of whether they are monthly or daily sponsors.

\*For daily sponsor, the incentive amount is calculated daily, but accounting processing remains monthly as before. Incentive billings and payments are processed in bulk monthly basis.

# (Ref.) Items Specified by AMs in the Sponsored ETFMM

\* Updated points

Category	Item	Description
Target	Any ETFs	- The asset manager can choose as little as one ETF from those it is currently managing. *Leveraged/inverse ETFs and Actively managed ETFs can also be eligible.
Period	Three months to one year	- In consideration of the preparations taken by the market maker, a minimum of three months is required. - The asset manager must reapply in order to specify incentive(s) for a single issue for more than one year.
Target	All-day / Opening / CA (Closing auction)	- For "all-day" sponsor, the entire trading session will be measured. - For "opening" sponsor, only the morning opening auction will be measured and for "CA" sponsor, only the closing auction will be measured. In each case, the determination of obligation fulfillment is based on participation in the matching process, not on the order acceptance time.
Calculation cycle	Monthly / Daily	- For "monthly," perform obligation fulfillment assessments based on monthly basis - For "daily," perform obligation fulfillment assessments on a daily basis
Weight	No / Yes *Available only when the calculation cycle is set to "Daily".	- When the calculation cycle is set to "Daily," configure whether to apply incentive weighting on a daily basis. - If "Yes," set the daily weight.
Obligation (Quote Obligation)	Maximum Spread (ticks/bps) Amount of quote (JPY) Quoting time period (%)	- For each item, asset managers can specify a Quote Obligation that differs from that in the general scheme. - For "opening" or "CA" sponsor, the quoting time period is calculated based on [the number of days fulfilling the obligations for opening or CA] / [the number of trading days].
	Grouping (Setting the Quote Obligation for multiple ETFs)	- Asset managers can specify the Quote Obligation eligible for incentives only when the Quote Obligation has been fulfilled for multiple ETFs. - Asset managers can only select a fixed amount for incentives when designating grouping conditions. - When the target is "opening" or 'CA' and the calculation cycle is "daily," grouping is not possible.
	AUM trigger	- Asset managers can specify a condition in which incentives will be paid to market makers who have fulfilled the Quote Obligation only when their AUMs exceed a certain amount. - When the target is "opening" or 'CA' and the calculation cycle is "daily," AUM trigger set is not possible.
Incentives	Total amount of payment – JPY10,000 to 1,000,000/month (per ETF)	- Asset managers specify total amount of monthly incentives for each ETF. - It includes incentive set as AUM Trigger.
	Payment method – Fixed compensation/Trading volume proportional(all-day)/Trading volume proportional(CA/opening)	- Asset managers can select either payment method: a fixed amount (JPY XX per company) or trading volume proportional (market makers eligible for incentives). - When the target is "opening" or "CA," trading volume proportion (CA/opening) can be selected.
	Maximum Number of Market Makers	- Asset managers can specify maximum number of market makers eligible for incentives.
	Priority conditions - In order of quoting time period/quantity of executions(all-day)/sign-up date/quantity of executions(CA/opening)	- Asset managers specify priority according to the following three conditions to provide incentives: 1) quoting time period, 2) quantity of executions(all-day), 3) sign-up date and 4) quantity of executions(CA/opening). Up to three conditions can be set. - When the target is "opening" or "CA" and the calculation cycle is "daily," in the order of quoting time option is unavailable. Additionally, only when the target is "opening" or 'CA' can "quantity of executions(CA/opening)" option be selected. - When the number of market makers who have fulfilled the Quotation Obligation exceeds the maximum number of market makers, asset managers can first assign priority, and then designate which are to be eligible for incentives.

# Example of Sponsored conditions

## [Example] Monthly Sponsor

#	Code	Name	Sponsor type			Obligation				Incentive						
			Target	Calculation cycle	Spread		Quantity mil. JPY	Quoting Time	No. of MM	Payment method	Monthly Incentive amount (JPY)		Priority			
					Weight	ticks					bps	Fixed compensation Incentive per MM	Trading volume proportional Total Incentive	1	2	3
1	3333	CCCC ETF	All-day	Monthly	-	3	40	30	80%	2	Fixed	100,000	-	Quoting Time	Volume-all day	Sign-up date
2	3333	CCCC ETF	CA	Monthly	-	3	40	30	80%	2	Fixed	50,000	-	Volume-CA/opening	Quoting Time	Volume-all day
3	3333	CCCC ETF	CA	Monthly	-	3	40	30	90%	2	Fixed	50,000	-	Volume-CA/opening	Quoting Time	Volume-all day

- Examples of setting multiple sponsor conditions for the same ETF. As in #1-3, it is possible to set different types of sponsors, such as all-day/CA, or as in #2-3 to implement a phased approach by changing only some conditions.
- MMs receive JPY100,000/month if they fulfill their obligation on all-day sponsor (#1). If MMs fulfilled the specified obligations in CA (spreads: 3 ticks or 40 bps; quantities JPY30 million) on 80% or more of the business days in a month, they can receive JPY50,000/month (#2) and if they fulfilled the obligations on 90% or more of the business days, they can receive JPY50,000/month additionally (#3).
- The ranking of MMs who have fulfilled their obligation is determined by “priority conditions.” Priority conditions can be set from one to three, with a maximum of three conditions. After priority-based determination, if multiple MMs share the same rank, incentives will be allocated proportionally.

## [Example] Daily Sponsor

#	Code	Name	Sponsor type			Obligation				Incentive						
			Target	Calculation cycle	Spread		Quantity mil. JPY	Quoting Time	No. of MM	Payment method	Monthly Incentive amount (JPY)		Priority			
					Weight	ticks					bps	Fixed compensation Incentive per MM	Trading volume proportional Total Incentive	1	2	3
4	5555	EEEE ETF	All-day	Daily	No	2	40	4,000	80%	2	Fixed	200,000	-	Volume-all day	Quoting Time	-
5	7777	GGGG ETF	CA	Daily	Yes	5	40	1,000	100%	2	Volume proportional (CA/opening)	-	200,000	Volume-CA/opening	Volume-all day	Sign-up date

- Setting the priority to “Sign-up date” allows to prioritize MMs who signed up earlier. No need to set it (#4).
- For “Daily” and “CA/opening Sponsor”, [Quoting Time] is calculated as [Number of days for fulfilling obligations (=0 or 1 day)] / [Number of trading days (=1 day)]. So, the setting must always be 100%. Additionally, setting “Quoting Time” as a priority conditions is not permitted (#5).

\*Priority conditions: 4 conditions—“In order of quoting time,” “quantity of executions (all-day),” “sign-up date,” and “quantity of executions (CA/opening).” Only CA/opening sponsors may select “quantity of executions (CA/opening).” When the target is “daily” and the “CA/opening” sponsor, “In order of quoting time” cannot be selected.

# Application Methods

## For Asset Managers (Sponsored Application)

- AMs will apply using the “AT-4 Sponsored Use Application Form Ver. 2.0”.
- When setting weights for daily sponsors, AMs will submit the “AT-5 Sponsor Calendar Application Form”
  - \*Apply weights for all business days within the period AM sets sponsored conditions.
- As before, sponsored conditions for existing ETFs can only be set at the beginning of the month. Applications must generally be submitted at least 2 weeks prior to the effective date.
- If you wish to set new sponsored conditions effective from April 2026, please submit your application **by 5:00 PM JST on March 12 (Thu.)**.
  - \*We have set an earlier deadline than usual; we appreciate your cooperation.

## For Market Makers (Sign-up Application)

- The application content and method remain unchanged; MM will submit MT-2 for the sign-up application.
  - \* By submitting a sign-up application, the MM will automatically be enrolled in all sponsor conditions, including those for new sponsors.
  - \* As before, new sign-ups are only possible starting from the first business day of the month, excluding newly listed ETFs.
- If you wish to sign up starting in April, please apply **by 5:00 PM on March 26 (Thu.)**.

\* If the operation of the market-making performance calculation system is disrupted or for other unavoidable reasons, and TSE determines that implementation in April 2026 is not appropriate, implementation shall be postponed to May 2026 or later. For the April, only the sponsored conditions that can be set under the current system from among the applied conditions shall apply, in principle.