

January 24, 2011

IOC Orders Now Available at TSE

- Tokyo Stock Exchange (TSE) will introduce IOC orders as a new type of conditional order on January 24, 2011.
- IOC orders will be available for auction trading of all cash products (equities, CBs, etc.)
- TSE expects that by introducing a new type of conditional order, in addition to the existing conditional orders (orders to be executed in the opening or closing auction, and limit orders that will be converted into market orders at the closing auction if not yet executed), will further increase the convenience of the investors in the market.

IOC Order (Immediate or Cancel order)

◆ IOC orders are orders with the condition to immediately execute all or part of the quantity of the order at a specified or better price and the remaining unexecuted quantity of such order will become void.

As illustrated in the following diagrams, when an IOC order is placed, order execution is different from that when a non-IOC order is placed. In the case of an IOC order, part of the order is executed immediately and the remaining unexecuted portion becomes void.

In the case of a non-IOC order

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders		Market orders	
4	180	4	180	4	180
10	157	10	157	10	157
7	154	7	154	7	154
8	153	8	153		153
5	151	5	151		151
	150		150		150
	149		149		149
	147		147		147
	142		142		142
	139		139		139
	125		125		125

▶

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders	
4	180	4	180
10	157	10	157
7	154	7	154
8	153		153
5	151		151
	150		150
	149		149
	147		147
	142		142
	139		139
	125		125

▶

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders	
4	180	4	180
10	157	10	157
7	154	7	154
	153		153
	151		151
	150		150
	149		149
	147		147
	142		142
	139		139
	125		125

1. A buy limit order for 20 units is placed at JPY 153.
2. 5 units are executed at JPY 151, and 8 units are executed at JPY 153.
3. The remaining quantity of 7 units from the order is shown in the order book.

(Assumptions)

- During continuous auction (*Zaraba*) trading
- Last executed price JPY 150
- Special quote renewal price interval JPY 5

In the case of an IOC order

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders		Market orders	
4	180	4	180	4	180
10	157	10	157	10	157
7	154	7	154	7	154
8	153	8	153		153
5	151	5	151		151
	150		150		150
	149		149		149
	147		147		147
	142		142		142
	139		139		139
	125		125		125

▶

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders	
4	180	4	180
10	157	10	157
7	154	7	154
8	153		153
5	151		151
	150		150
	149		149
	147		147
	142		142
	139		139
	125		125

▶

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders	
4	180	4	180
10	157	10	157
7	154	7	154
	153		153
	151		151
	150		150
	149		149
	147		147
	142		142
	139		139
	125		125

1. An **IOC** buy limit order for 20 units is placed at JPY 153.
2. 5 units are executed at JPY 151, and 8 units are executed at JPY 153.
3. The remaining quantity of 7 units from the **IOC** order automatically become void and do not display in the order book.

(Assumptions)

- During continuous auction (*Zaraba*) trading
- Last executed price JPY 150
- Special quote renewal price interval JPY 5

*1 As described above, depending on orders in the order book, a single order may be executed at multiple prices.

*2 In the cases described above, the content of the market information disseminated is as follows.

- Non-IOC order 5 units executed at JPY 151/8 units executed at JPY 153, 7 units of buy limit order at JPY 153.
- IOC order 5 units executed at JPY 151/8 units executed at JPY 153

(Q1)

- ◆ Are IOC orders only for limit orders, or can they also be used with market orders?

(A1)

- ◆ IOC orders can be used for both limit orders and market orders.

(Q2)

- ◆ Can IOC orders be placed before trading begins (i.e., before 9 am)?

(A2)

- ◆ Even though they can be placed, since they cannot be executed immediately, they are not valid orders.

[Situations where execution is not immediate]

Before the start of a trading session, the duration of a trading halt, etc., the opening auction at 9 am, and the closing auction (by *Itayose*) at the end of a trading session, and such periods.

- ◆ Even if an order is placed when the opening price is not determined after 9am, in a case where the situation in the order book is likely to result in immediate execution during auction trading, the corresponding quantity will be executed and the remaining order quantity will become void.
- ◆ Even at the point of display of a special quote, etc., in the case where the situation in the order book is likely to result in immediate execution, the corresponding quantity will be executed and the remaining order quantity will become void.

(Q3)

- ◆ Is it possible to change or cancel an IOC order that has been placed? Or can an existing order be changed to an IOC order?

(A3)

- ◆ Since any remaining order quantity that is not immediately executed becomes void, there will only be new orders, and no modification or cancellation orders.

Handling of Special Quotes, etc.

If an IOC order is placed and this results in a situation where a special quote is likely to be shown if a non-IOC order was placed instead, the corresponding order quantity is executed before the special quote is shown, and the remaining unexecuted order quantity becomes void without a special quote being shown.

Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity	Sell order quantity	Buy order quantity
Market orders		Market orders		Market orders	
4	168	4	168	4	168
10	162	10	162	10	162
7	160	7	160	7	160
8	153	8	153	8	153
5	151	5	151	5	151
	150		150		150
	149		149		149
	147		147		147
	142		142		142
	139		139		139
	125		125		125
			20		
	3		3		3
	5		5		5
	8		8		8
	5		5		5
	4		4		4
	5		5		5

1. An IOC buy limit order for 20 units is placed at JPY 160.
2. 5 units are executed at JPY 151, 8 units are executed at JPY 153.
3. Since JPY 160 is beyond the special quote renewal price interval, this is not executed, and the remaining 7 units become void without a special quote being shown (i.e., no special quote is shown for the remaining order quantity).

- (Assumptions)
- During continuous auction (*Zaraba*) trading
 - Last executed price JPY 150
 - Special quote renewal price interval JPY 5

* Sequential trade quotes are handled in the same way as special quotes. The corresponding order quantity is executed before the sequential trade quote is shown, and the remaining unexecuted order quantity becomes void without a sequential trade quote being shown.

Reference: Other conditional orders

Reference Translation

A summary of the conditional orders currently available are as follows.

Orders to be executed in the opening auction	<ul style="list-style-type: none">• An order with the condition to execute during the opening auction of the morning or afternoon session.• These orders are only effective during the opening auction. If they are not executed during the opening auction, they will become invalid.• In addition, in the case of such order was placed during the morning session, however, no transaction was executed during the morning session (i.e. opening price was not determined), such order will be brought over to the afternoon session.
Orders to be executed in the closing auction	<ul style="list-style-type: none">• An order with the condition to execute during the closing auction of the morning or afternoon session.• These orders are only effective during the closing auction. If they are not executed during the closing auction, they will become invalid.• In addition, in the case where such order was placed for the morning session and was not executed during the closing auction of the morning session, such order will not be brought over to the afternoon session.
Limit orders that will be converted into market orders at the closing auction if not yet executed (<i>funari</i> orders)	<ul style="list-style-type: none">• An order that is effective as a limit order during the continuous trading sessions, and in the case where it is not executed during continuous auction (<i>Zaraba</i>), it will be converted into a market order to be executed during the closing auction of the morning or afternoon session.



Cautionary note to investors

- ◆ The handling of conditional orders may vary depending on securities companies that you entrust your orders. For details, please consult the securities company.

Note:

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- For details on system connection, please refer to “arrowhead System Interface Specifications Version 2.11”. For inquiries related to system connection, etc., please contact arrowhead desk, IT Development Department (Tel.: +81-3-3665-1743, E-mail: arrowhead@tse.or.jp).



Contact

Tokyo Stock Exchange, Inc.

Tel.: +81-3-3666-0141

URL: <http://www.tse.or.jp/>

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