

# ETF Market Making Scheme Ver2.0 -> April 2019



- By setting up additional obligation/incentive, aiming to raise Japanese version SPY and representative ETFs of each asset classes
- Matching Funds = TSE will provide equivalent amount of incentive as a sponsor

Index	Obligation (Qty./Spread)	Incentive from TSE (Total of TSE and AM)	Max. no. of ETF
<b>Japanese "SPY"</b> <b>Nikkei 225/TOPIX</b>	1 Bil. JPY/ 20bps	<b><u>500,000JPY/month</u></b> to Top 2 Market Makers	3 ETFs per index
<b>"Star ETFs"</b> <b>US Treasury 7-10 years</b>	500 mil. JPY/ 20bps	*AMs and TSE will contribute same amount	1 ETF per index *With/Without currency hedging are treated as different index
<b>FTSE WGBI</b>	100 mil. JPY/ 40bps	<b><u>300,000JPY/month</u></b> to Top 2 Market Makers	
<b>Markit iBoxx USD Liquid Investment Grade</b>	100 mil. JPY/ 40bps	<b><u>200,000JPY/month</u></b> to Top 2 Market Makers	
<b>MSCI Kokusai·S&amp;P500</b>	100 mil. JPY/ 20bps	<b><u>200,000JPY/month</u></b> to Top 2 Market Makers	
<b>MSCI Emerging</b>	100 mil. JPY/ 40bps	<b><u>300,000JPY/month</u></b> to Top 2 Market Makers	

\* All of the conditions are from April to September 2019. Depending on the result, extension will be examined.

\* The method to chose ETF is noted on the following page

# The method to choose ETF

- Asset Managers who wish to utilize this scheme, submit ETFs up to third choice by category.
- In order of priority, ETF is decided

## Process to submit and Selection

① Each Asset Manager submits ETFs up to forth choice by category and upper limit of number of ETFs/incentive in each category until March 6.

225/TPX

Foreign Equities

Foreign  
Bonds





② TSE assigns ETFs with higher priority and let Asset Managers know until March 7

- \* In case priority is same, ETF with bigger AUM is assigned
- \* If an AM is not allocated in the higher priority, that AM's ETF with lower priority gets higher priority
- \* If number of registration does not reach threshold, submission is available on a first come, first served basis

③ Asset Managers submit Sponsored Scheme for the assigned ETF

\*For Foreign Equities and Foreign Bond, multiple ETFs may be assigned to same AM.  
\*Asset Manager has to conclude contract to usage sponsored scheme

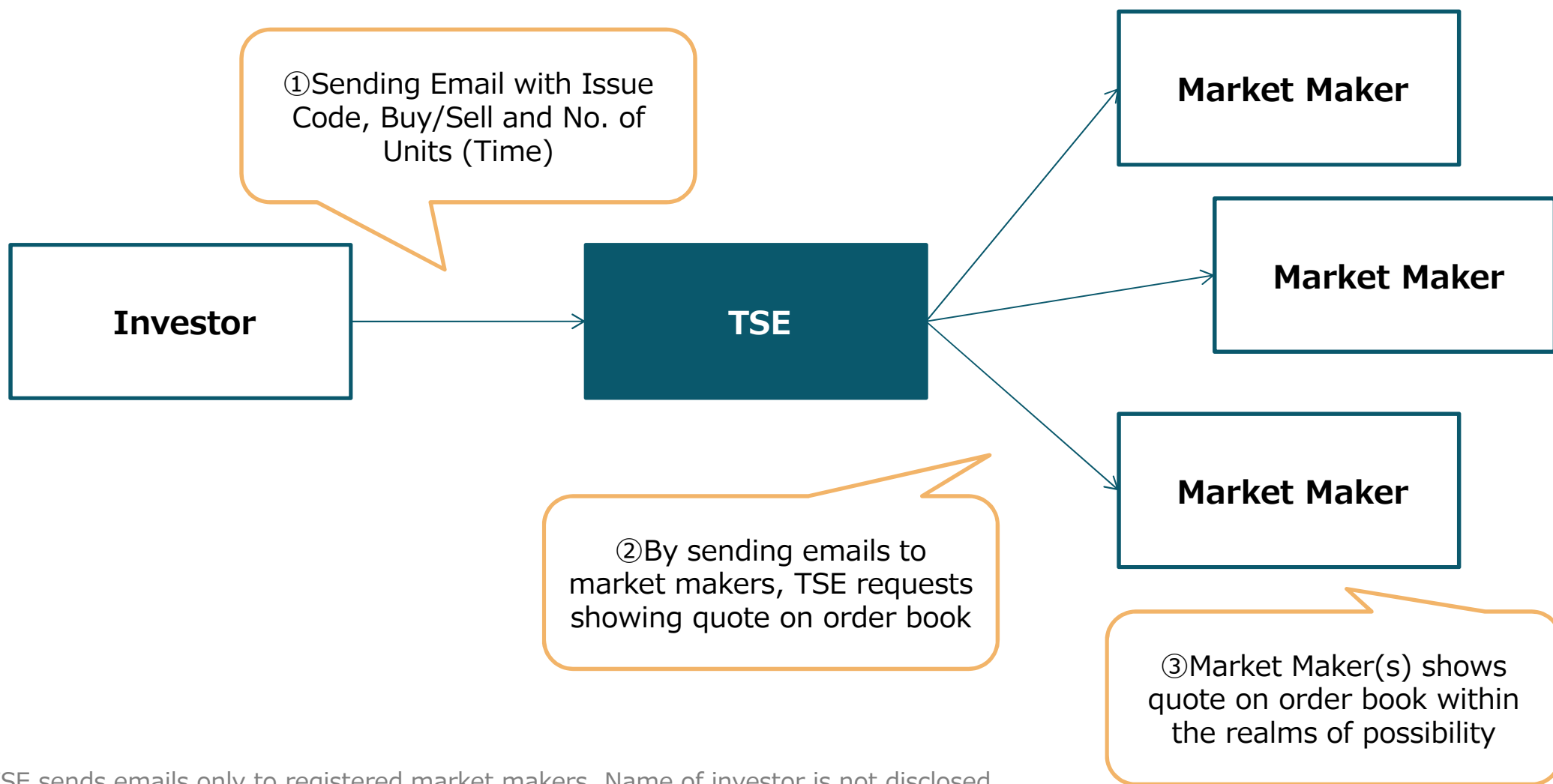
- Change number of ETF obligation to “10 Low Liquid ETFs”
- Improvement of sponsor incentive/obligation

<b>Reduction of Number of ETF (During Acclimation Period)</b>	<b>10 Low Liquid ETFs + 10 ETFs</b>		<b>10 Low Liquid ETFs</b>
<b>Extension of Acclimation Period</b>	<b>June 2019 OR 6 month from Signup</b>		<b>March 2020 OR 6 month from Signup</b>
<b>Shortening of lead time to setup sponsor incentive/obligation</b>	<b>One month</b>		<b>Two Weeks</b>
<b>Multiple Conditions as sponsor incentive/obligation</b>	<b>Single condition per ETF</b>		<b>Multiple conditions per ETF</b>

- \* Nikkei 225, TOPIX including ex-financial and risk control and JNX 400 are not counted as illiquid
- \* During acclimation period, in addition to lower number of ETFs obligation, equivalent amount of 2 virtual servers are provided.
- \* Improvements of statistics are also planned
- \* In case the most recent 6month performance is <10%, suspension of sign up and prohibition of re-sign up in 3month are to be applied.

# Start of Email RFQ Service

- When an investor needs bigger size on order book, by sending email to TSE, they can request showing desirable size of quote to market makers.



\*TSE sends emails only to registered market makers. Name of investor is not disclosed.

\*Response by market maker is not obligation, but best-effort.