

Handling of orders entrusted by customers in the case of order cancellation by the OSE

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Osaka Exchange, Inc.

I. Purpose

In light of equity trading system failures that occurred in October 2020, Tokyo Stock Exchange, Inc. (hereinafter “TSE”) has established “Council for Recurrence Prevention Measures” (hereinafter “Council”), in which discussion has been developed with its members and TSE on how TSE should develop its responses to system failures and its rules and regulations.

In response to proposal from TSE which is based on consideration in Council, Osaka Exchange, Inc. has summarized proposed revisions to the trading rules, as indicated below, to clarify handling, etc. of orders entrusted by customers in cases where the Exchange has no choice but to cancel bids/offers already placed by trading participants due to the impact of a system failure, etc.

II. Outline

Item	Details	Remarks
1. Cancellation of Bids/Offers	- Clarify that the Exchange may cancel bids/offers from trading participants in the case of trading suspension due to a system failure, etc.	- The current rules stipulate that the validity of bids/offers in the case of trading suspension will be "specified on a case-by-case basis".
2. Validity of Entrusted Orders	- Clarify that, in principle, orders entrusted by customers with trading participants will remain valid, even after bids/offers from trading participants have been cancelled by the Exchange.	- The current rules stipulate that in principle, entrusted orders will remain valid even after trading suspensions.
3. Necessity of Resending Entrusted Orders	- Clarify that, in principle, trading participants should resend orders entrusted by customers, even after bids/offers have been cancelled by the Exchange. - However, clarification will also be made in case an arrangement has been made in advance between the trading participant and its customer or there is instruction by the customer, and the necessity for trading participants to resend entrusted orders	- If provisions on the necessity to resend orders, etc. are included in the terms and conditions of the

Item	Details	Remarks
	will be determined as specified in the prearrangement or instruction.	contract between the trading participant and the customer, then this will apply if an arrangement has already been made in advance.
4. Others	- A verification to determine the trading resumption will be conducted with all trading participants through person responsible for JGB futures trading, person responsible for index futures, etc. trading and person responsible for commodity futures trading depending on the type of futures trading and options trading. Trading participants shall respond to the verification.	

III. Implementation Date

The above revisions are scheduled to be implemented in April 2021. The implementation date will be determined based on the progress for responses by trading participants among other factors.