

Optimization of Tick Sizes for ETFs, etc. and Other Revisions

July 2, 2021

Tokyo Stock Exchange, Inc.

I. Purpose

Tokyo Stock Exchange, Inc. (TSE) offers a variety of ETFs and similar products to allow both individual investors and institutional investors to conduct diversified investment at low cost in a highly transparent environment. For the purpose of further improving investor protection and convenience for investors when trading ETFs and similar products, TSE has decided to make some changes including revising trading rules.

Specifically, to improve the convenience of investment using ETFs and similar products by lowering execution costs for trading incurred by investors, TSE will revise the rules so that the tick sizes applied to TOPIX100 constituents are, as a general rule, applied to all ETFs and similar products. Meanwhile, the "Cabinet Office Order on Transactions Prescribed in Article 161-2 of the Financial Instruments and Exchange Act and Security Deposits for the Transactions" currently stipulates the rate of security deposits for margin transactions as 30%, but the rate of security deposits for margin transactions of securities linked to leverage indicators, etc. is scheduled to be revised. In conjunction with the revision to said order, TSE will revise the rate of security deposits for margin transactions of ETFs and ETNs aimed at tracking leverage indicators, etc. (hereinafter "leveraged products") and make other necessary revisions.

II. Outline

項目 Item	内容 Details	備考 Remarks
1. Changes in tick sizes for	- For ETFs, ETNs, and leveraged products	

項目 Item	内容 Details	備考 Remarks
ETFs	<p>(hereinafter "ETFs, etc."), tick sizes applied to TOPIX100 constituents will be applied, as a general rule, to all issues.</p> <ul style="list-style-type: none"> - Depending on price ranges, tick sizes applied to TOPIX100 constituents include values less than JPY 1. Therefore, for ETFs, etc. whose trading unit is 1 unit with a price lower than a certain level, to prevent prices per trading unit of such ETFs, etc. from including fractions less than JPY 1, the tick sizes applied will be those for issues other than TOPIX100 constituents. - Also, if the trading unit of ETFs, etc. is 1 unit and the price of the ETFs, etc. to which tick sizes for issues other than TOPIX100 constituents are being applied exceeds a certain level, tick sizes applied to 	<ul style="list-style-type: none"> - Specifically, if an issue has a trading unit of 1 unit and its closing price falls to or below JPY 5,000, tick sizes for issues other than TOPIX100 constituents will be applied to said ETF from the second business day afterwards. - Also, if the trading unit of an issue is 1 unit and its closing price is JPY 5,000 or less at the time of implementing these revisions (refer to III), tick sizes for issues other than TOPIX100 constituents will be applied to said issue. - Specifically, with respect to issues to which tick sizes for issues other than TOPIX100 constituents are applied, if the closing price increases to at least

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	TOPIX100 constituents will be applied.	JPY 7,000, the same tick sizes as those applied to TOPIX100 constituents will be applied from the second business day afterwards.
2. Security deposit rate for margin transactions of leveraged products	- The security deposit rate for margin transactions of leveraged products will be the rate obtained by multiplying 30% by the leverage factor of the relevant product. (If the leverage factor is minus, the rate will be obtained by multiplying 30% by the value obtained by deducting the leverage factor of the relevant product from zero.)	<ul style="list-style-type: none"> - Specifically, the rate of security deposit for leveraged and double inverse ETFs and ETNs will be 60%. - Said rate will be applied not only when margin transactions are newly made but also when the amount of security deposits that may be withdrawn is calculated.
3. Regulation regarding early redemption provisions (1) Listing examination criteria	- TSE will require that ETFs, etc. for which an initial listing application is made have no early redemption provision in their investment trust deeds that is conditional on changes in the value of an indicator or	<ul style="list-style-type: none"> - An early redemption provision is a provision to the effect that the investment trust agreement, etc. will be terminated without a resolution by beneficiaries. <p>Note: The purpose of these changes is to prevent forced loss of investment opportunities due to price fluctuations.</p> <ul style="list-style-type: none"> - Depending on the type of ETFs, etc.,

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(2) Delisting criteria	<p>base value.</p> <ul style="list-style-type: none"> - If an early redemption provision that is conditional on changes in the value of an indicator or base value is prescribed in the investment trust deeds of an ETFs, etc., said ETFs, etc. will be delisted. 	<p>"investment trust deeds" can include trust deeds and other similar documents.</p> <ul style="list-style-type: none"> - These new criteria will not be applied to early redemption provisions that are conditional on the value of an indicator or base value falling to or below zero (0).

III. Implementation date (planned)

- Item 1. and Item 3. will be implemented in October 2021, and Item 2. in April 2022.
- Item 2. will be applied to the rate of security deposits for calculations of withdrawable amounts and new sales or purchases via margin transactions on or after the implementation date.
- Item 3 (2) will be applied to listed ETFs, etc. for which decisions on changes to the investment trust deeds, etc. to the effect of said item are made on or after the implementation date.