

Summary of Public Comments on "Optimization of Tick Sizes for ETFs, etc. and Other Revisions" and TSE Responses

September 13, 2021

Tokyo Stock Exchange, Inc.

Tokyo Stock Exchange, Inc. (TSE) published the outline of "Optimization of Tick Sizes for ETFs, etc. and Other Revisions" (comprised of (i) changes in tick sizes for ETFs, (ii) security deposit rate for margin transactions of leveraged products, and (iii) regulation regarding early redemption provisions) on July 2, 2021, and sought public comments until August 1, 2021. We deeply appreciate your cooperation and valuable comments on these issues.

A summary of the public comments on (i) changes in tick sizes for ETFs and TSE's responses to each comment are as below. TSE will publish a summary of the comments regarding (ii) security deposit rate for margin transactions of leveraged products and TSE's responses to these separately. (No comments on (iii) regulation regarding early redemption provisions were received.)

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1	<ul style="list-style-type: none"> • Introduction <p>XTX Markets ("XTX") is the leading European founded electronic market maker. Founded in 2015, XTX is a new generation market making firm with modern technology and a forward-thinking approach. Our core value is making electronic markets fairer and more efficient for all participants. We trade over USD 275 billion¹ daily across tens of thousands of instruments spanning Global Equity, FX, Fixed Income and</p>	<ul style="list-style-type: none"> • Tick sizes are not only units with which investors specify prices when placing orders, but also the minimum costs necessary to gain a priority in auction trading. Accordingly, if tick sizes are too large, trade execution costs borne by investors become excessively large. However, this does not necessarily mean the smaller, the better. If tick sizes are too small, an investor can step ahead of other investors with

¹ FY2020 Average daily gross notional turnover

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	<p>Commodity markets and are a significant participant on 80+ major venues in 30+ countries. Our global team consists of 150+ people, with offices in London, New York, Singapore, Paris, and Mumbai.</p> <ul style="list-style-type: none"> • Market microstructure: tick sizes XTX believes that appropriate minimum tick size increments are important in all electronic markets globally. This allows liquidity to cluster at fewer price points on the electronic orderbook and ensure market makers are taking meaningful risk when price improving. Very small tick sizes result in a lack of depth and noisy electronic orderbook, with highly frequent price movements. A tick size that is too large results in end users (such as pension funds and retail traders) crossing unnecessarily wide bid-ask spreads and paying inflated transaction costs. Venues should seek a balance to find the optimal tick size using quantitative orderbook data. An optimal tick size improves price discovery, reduces transaction costs and an efficient bid-ask spread. • Impact of changes in tick sizes globally In 2018, ESMA has successfully implemented a tick size table methodology based on price and ADNT (Average Daily Number of Transactions). In June 2021, Eurex halved the tick size of its largest equity futures contract by volume (EURO STOXX 50). Quantitative Brokers, a research and technology provider, found that the implicit 	<p>almost economically meaningless price differences, bringing about the adverse effects such as a loss of depth in the order book and creating confusion among investors with overly frequent renewals of quote prices. As such, TSE considers that the optimization of tick sizes will ultimately reduce the trade execution costs borne by retail investors and institutional investors across the board.</p> <ul style="list-style-type: none"> • Thank you for your comment about the overseas situation. In the past, the US and Europe saw exchanges competing with one another to reduce tick sizes, but as we understand it, as a result of excessive reductions in tick sizes causing the aforementioned harm, there are now regulations on minimum tick sizes. With respect to the issues you raised, TSE understands that the US and European exchanges are taking action to optimize tick sizes. • TSE considers that tick sizes should be optimized appropriately in consideration of liquidity and product characteristics. We think that the proposed optimization of tick sizes will be able to reduce trade execution costs borne by investors for trading ETFs, etc. However, as indicated in the "Action Program for Strengthening the Functions of the

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	<p>spread of this futures contract would improve with the reduction of the minimum tick². In the weeks since the change, XTX analysis shows that the bid-ask spread has effectively halved, saving investors significant trading costs.</p> <p>The CME has also successfully changed several FX³ and Fixed Income⁴ futures tick sizes, including 2-year Treasury futures in 2019 and AUD/USD futures in 2020⁵, resulting in lower bid-ask spreads and greater volumes.</p> <ul style="list-style-type: none"> • Japan ETF tick sizes on TSE <p>The TSE has already implemented a suitable tick size method for TOPIX 100 stocks, which XTX is supportive of extending to ETFs, as our market data analysis shows that the majority of ETFs are tick constrained.</p> <ul style="list-style-type: none"> • Current ETF tick sizes on TSE are broadly too large • #1 most active ETF (1570) by ADV has a 1-tick bid-ask over 98.5% of trading hours • #2 most active (1357) by ADV has a 1-tick bid-ask over 99.7% of trading hours • Top 5 most active ETFs have a 1-tick bid-ask over 95.5% and the top 	<p>Cash Equity Market" published on January 30, 2020 (hereinafter, the "Action Program"), costs associated with tick sizes for medium liquidity stocks are still high from a global perspective, so TSE will proceed to make revisions to optimize tick sizes so that all investors can execute trades at favorable prices.</p>

² <https://www.eurex.com/ex-en/find/news/EURO-STOXX-50-tick-size-reduction-improving-price-discovery-and-the-implicitspread-2699070>

³ <https://www.cmegroup.com/trading/fx/mpi.html>

⁴ <https://www.cmegroup.com/education/articles-and-reports/smaller-ticks-lower-costs-brokertec-reduces-3-year-mpi.html>

⁵ <https://www.cmegroup.com/education/articles-and-reports/reviewing-the-impact-of-aud-usd-futures-tick-size-change.html>

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	<p>10 are 1-tick for over 93.3% of trading hours</p> <ul style="list-style-type: none"> • On average (by volume), all ETFs have a 1-tick bid-ask for 89% of trading hours <p>It is logical for TSE to reduce ETF tick sizes overall by implementing the same methodology as TOPIX 100 stocks.</p> <p>In addition, for both ETFs and stocks, TSE should implement a tick table similar to the MiFID II tick size framework in the UK and Europe, which uses both the stock price and Average Daily Net Turnover (“ADNT”) each instrument to determine the tick table. This further dimension of ADNT will normalise for liquidity of a stock, meaning that low price, but less liquid stocks may have a wider tick size so that quantity is clustered optimally amongst fewer price levels. XTX can provide further analysis based on our experience of global markets.</p>	
2	<ul style="list-style-type: none"> • 1. The move to the TOPIX 100 table In general, Optiver is supportive of this change as a short-term solution. We believe there are currently quite a few TSE ETFs with tick sizes that are too large, and investors would benefit from a more competitive screen. • 2. Specific ETF tick table Long-term, Optiver believe that ETFs require their own tick table to cater for the specific product micro-structure characteristics of ETFs. 	<ul style="list-style-type: none"> • Many market users have pointed out that, at recent stock price levels, tick sizes for some ETFs, etc. are so large that trade execution costs have become excessively high. Taking into consideration these concerns, when acting to reduce tick sizes for ETFs, etc. this time, we have decided to apply the tick sizes of the current TOPIX 100 constituents to ETFs, etc. in principle, to take action quickly and lessen the operational burden on market users as much as possible.

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	<ul style="list-style-type: none"> 3. Leveraged ETFs In addition to the above, it is recommended that TSE consider having a separate table to cater for leveraged ETFs due to the more volatile nature of these products. 	<ul style="list-style-type: none"> Unlike cash equity stocks, a feature of ETFs, etc., is that arbitrage trading is conducted with the underlying assets. In consideration of this point, TSE will continue to work to assess the issues and improve its tick size policy for ETFs, etc., including the possible creation of a tick table specific to ETFs, etc. like the one you mentioned.
3	<ul style="list-style-type: none"> We agree on the series of proposed revisions to optimize tick sizes for ETFs, etc., as we understand the objectives of the revisions to enhance investor protection and convenience of investing. The revisions to tick sizes for ETFs, etc., will prevent their prices from deviating from the actual market prices of the underlying assets and will reduce trade execution costs. Meanwhile, by applying the tick sizes of TOPIX100 constituents, the revisions also take into account the burden of system adjustments, so we believe that the proposed revisions are appropriate. With respect to optimizing tick sizes for stocks, as indicated in the Action Program published on January 30, 2020, the tick sizes are extremely coarse compared with those in overseas markets. We hope that TSE will proceed with further discussions. 	<ul style="list-style-type: none"> As you have pointed out, when acting to reduce tick sizes for ETFs, etc. this time, we have decided to apply the tick sizes of the current TOPIX 100 constituents to ETFs, etc. in principle, to take action quickly and lessen the operational burden on market users as much as possible. Also, as indicated in the Action Program, the costs associated with tick sizes for medium liquidity stocks are large from a global perspective, so TSE will proceed to make revisions to optimize tick sizes so that all investors can execute trades at favorable prices.
4	<ul style="list-style-type: none"> The proposed revisions are beneficial as they will contribute to smooth trading of ETFs, etc. 	<ul style="list-style-type: none"> When acting to reduce tick sizes for ETFs, etc. this time, we have decided to apply the tick sizes of the current TOPIX 100

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	<ul style="list-style-type: none"> • However, I think that tick sizes for stocks priced at JPY 1,000 or less are a little rough. The tick sizes for stocks priced at JPY 1,000 and those for stocks priced at JPY 100 are the same at JPY 0.1. I ask TSE to reconsider this. • I would appreciate your further consideration. 	<p>constituents to ETFs, etc. in principle, to take action quickly and lessen the operational burden on market users as much as possible. However, in setting tick sizes, it is critically important whether or not they are easily understood by investors, so TSE will continue to assess the issues and improve its tick size policy.</p>
5	<ul style="list-style-type: none"> • Are we correct in understanding that for the Tick Size Table No. of Base Price Information (BP tag) distributed by FLEX, "03" will be set for ETF issues which adopt tick sizes applied to TOPIX 100 constituents while "01" will be set for other ETFs? Although we understand that the change in tick sizes of ETFs, etc. will contribute to improving market efficiency, to avoid confusion in practical operations, we would like TSE to supply sufficient information about specifications of systems like the above. 	<ul style="list-style-type: none"> • Details of system specifications including "tick size numbers" of "base price" messages distributed by FLEX will be announced separately. As you suggested, for ETFs, etc. where tick sizes of TOPIX 100 constituents are applied, "03" will be distributed as with the cash equities for which said tick sizes are applied. To avoid confusion in practical operations, we will inform relevant parties of system specifications in addition to the rule revisions.
6	<ul style="list-style-type: none"> • The tick sizes applied to TOPIX 100 constituents will be, in principle, applied to all ETFs, etc. However, if tick sizes for ETFs, etc. with almost no trading volume and few orders on the order book are smaller, when orders are placed, it might be hard for investors to watch order volume and value, which may impair their convenience. It might be better to set a criterion such as trading volume rather than uniformly apply the tick sizes of TOPIX 100 constituents. 	<ul style="list-style-type: none"> • When reviewing the tick sizes in the future, we may set some criteria such as trading volume. However, when acting to reduce tick sizes for ETFs, etc. this time, we have decided to apply the tick sizes of the current TOPIX 100 constituents to ETFs, etc. in principle, to take action quickly and lessen the operational burden on market users as much as possible. Furthermore, as a feature of ETFs, etc. is that

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		<p>arbitrage trading with the underlying assets needs to be conducted delicately, narrower tick sizes will be applied.</p> <ul style="list-style-type: none"> • TSE considers that tick sizes should be optimized appropriately in consideration of liquidity and product characteristics, and should be made easily understandable for investors. To achieve this, TSE will continue to assess the issues and improve its tick size policy for ETFs, etc.
7	<ul style="list-style-type: none"> • These revisions are very useful as they will contribute to execution cost reductions for ETF trading and lead to improved convenience for ETF investors. Still, we have two questions to ask. • According to the remarks section in the consultation, if an issue has a trading unit of 1 and its closing price is on or below JPY 5,000, tick sizes applied to TOPIX 100 constituents will not be applied and tick sizes applied to issues other than TOPIX 100 constituents will be applied. In this case, if the trading unit of an ETF is increased to more than 1, tick sizes applied to TOPIX 100 constituents will be applied and investor convenience can be improved as their execution costs will be reduced. Is there anything we should pay attention to if the number of ETF trading units are increased in order to apply the tick sizes applied to TOPIX 100 constituents? 	<ul style="list-style-type: none"> • Concerning trading units of ETFs, etc., it should be noted that if the trading unit is increased from one to ten units, for instance, beneficiaries (investors) who hold fewer than ten units will not be able to sell them in the market after the increase. • We have decided to use an existing tick size table this time because we need to immediately reduce tick sizes for ETFs, etc., in response to recent stock price levels. However, normally tick sizes should be optimized appropriately in consideration of liquidity and product characteristics. TSE will continue to assess the issues and improve its tick size policy for ETFs, etc., including these revisions, so that all investors can execute trades at favorable prices.

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	<ul style="list-style-type: none"> If you have plans for further revising rules over the medium to long term to enhance investor convenience, such as reducing ETF tick sizes even more, or keeping them constant regardless of price range, what are they? 	
8	<ul style="list-style-type: none"> We support "(i) Changes in tick sizes for ETFs" We also want TSE to optimize tick sizes for TOPIX Mid400 constituents, similar to those for TOPIX 100 constituents. The main reasons are as follows: <ul style="list-style-type: none"> Spreads that market makers present to provide liquidity should normally be determined by competition between market makers. However, for many issues, the tick sizes are the lowest limit of the spreads. As a result, this stifles competition and increases trading costs of trading participants that take liquidity. One of our customers said that as the statistics show that the optimization of tick sizes for TOPIX 100 constituents actually led to a reduction in trading costs, optimizing tick sizes for TOPIX Mid400 constituents is a completely logical step, so they are very confused that these have yet to be optimized over five years later. For the most part, our other customers also welcome the optimization of tick sizes as they think it will lead to a reduction in trading costs. 	<ul style="list-style-type: none"> As indicated in the Action Program, the costs associated with tick sizes for medium liquidity stocks are large from a global perspective, so TSE will proceed to make revisions to optimize tick sizes so that all investors can execute trades at favorable prices. We will continue pursuing further improvement of market convenience.
9	<ul style="list-style-type: none"> Bid and Offer Issues in the Stock Market 	<ul style="list-style-type: none"> As indicated in the Action Program, the costs associated

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	<ul style="list-style-type: none"> • Although there are differences in investment methods depending on short-term or long-term time horizons, what makes investors investors is that they take risks to hold stocks. On the other hand, because arbitrage traders do not take these risks, we do not consider them as investors. However, they are accepted in the stock market by investors only because they are expected to provide liquidity. This means that they are expected to be useful to investors. • Normally, arbitrage traders can be expected to play the above role because they do their business on the same playing field as investors, with the same conditions. However, if they can execute trades on more favorable terms than investors, then that is a whole different story. • Currently, the stock market in Japan is split into the traditional one operated by TSE, newly established PTSs, and dark pools, with the same issues traded on each market. However, we are in the odd situation where the tick sizes differ in each market, which is abnormal. This situation is giving arbitrage traders a much greater advantage over investors. For instance, if an investor trades at a tick size of JPY 1 on TSE while an arbitrage trader makes a profit by trading between a tick size of JPY 0.1 on a PTS and JPY 1 on TSE, the arbitrage trader will have a nine times advantage over the investor. This is because the investor has only two options, JPY 1 or 2, whereas the arbitrage trader has nine 	<p>with tick sizes for medium liquidity stocks and ETFs, etc. are large from a global perspective, so TSE will proceed to make revisions to optimize tick sizes so that all investors can execute trades at favorable prices. These revisions will solve the issue of ETFs, etc. to a certain extent, but we will also be reviewing the rules for medium liquidity stocks in the future.</p> <ul style="list-style-type: none"> • With respect to there being differences between tick sizes across markets, and trading being conducted by traders using these, we need to respond after checking not just with exchanges but across the entire market, to see whether the situation is really working for the benefit of investors. We will continue to develop a market environment where all investors can execute trades at favorable prices.

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	<p>options between JPY 1.1 and 1.9. Investors in general prefer to trade on the highly liquid TSE market and do not trade much on other markets, and as arbitrage traders usually use HFT technology to execute trades at high speeds that cannot be perceived by ordinary investors, the problem does not get seen on the surface. It is not an exaggeration to say that this is a complete fraud where victims are unaware of the damage being done.</p> <ul style="list-style-type: none"> • This market environment is inappropriate for investors and far from a market environment that is fair and neutral to investors. While standardizing tick sizes for the domestic markets, TSE urgently needs to take some measures such as reviewing rules for best execution and disclosing information on trade counterparties and volumes. Market competition should be on the premise that it will benefit investors. 	
10	<ul style="list-style-type: none"> • Bid/offer spreads of ETF products in Japan are higher than in other Asian markets (although there are also markets with higher spreads than Japan). Volatility also tends to be higher during day sessions and even higher towards the closing of the market. In addition, the ETF spread in other Asian markets is almost the same level as that of cash equities (or lower) while the ETF spread in Japan is said to be higher than that of cash equities. We think this situation will be improved by applying the tick sizes applied to TOPIX 100 constituents. 	<ul style="list-style-type: none"> • As you point out, the costs associated with tick sizes for some ETFs, etc. are quite high, but we think that these revisions will resolve the issue to a certain extent. • As indicated in the Action Program, the costs associated with tick sizes for medium liquidity stocks are large from a global perspective, so TSE will proceed to make revisions to optimize tick sizes so that all investors can execute trades at favorable prices. However, tick sizes are not always the

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	<ul style="list-style-type: none"> We understand that TSE is also considering applying the tick sizes applied to TOPIX 100 constituents to medium liquidity stocks, in the same way as for ETFs. However, for institutional investors, price does not necessarily take priority for execution conditions when trading issues. When changing tick sizes, we hope that TSE will carry out discussions and research carefully to make sure it benefits a wide range of investors. 	<p>smaller, the better, and they should be optimized appropriately in consideration of liquidity and product characteristics. We think that price improvements that can be obtained by excessively narrowing tick sizes are simply due to trading conducted using the difference of market structures, which may undermine the dynamism of the market in the medium to long term.</p> <ul style="list-style-type: none"> Tick sizes will affect a wide range of investors. Therefore, as you pointed out in the comment, we will carefully research the possible impacts and other issues before making any changes. 						
11	<ul style="list-style-type: none"> The proposed tick size system is that the tick sizes of TOPIX 100 constituents are applied as a general rule, but as this will not be applied to ETFs with a trading unit less than 10, this revision will not apply to all ETFs. As a result, a new system will apply only to ETFs whose trading unit is less than 10. <table border="1" data-bbox="338 1137 1200 1334"> <thead> <tr> <th data-bbox="338 1137 551 1190">Trading Unit</th> <th data-bbox="551 1137 904 1190">Current</th> <th data-bbox="904 1137 1200 1190">After Revision</th> </tr> </thead> <tbody> <tr> <td data-bbox="338 1190 551 1334">Less than 10 units</td> <td data-bbox="551 1190 904 1334">The same tick size system as issues other than TOPIX 100 constituents</td> <td data-bbox="904 1190 1200 1334">New tick size system</td> </tr> </tbody> </table>	Trading Unit	Current	After Revision	Less than 10 units	The same tick size system as issues other than TOPIX 100 constituents	New tick size system	<ul style="list-style-type: none"> When carrying out these revisions, it was necessary to immediately reduce tick sizes for ETFs, etc., in response to recent stock price levels, so we decided to apply tick sizes which are applied to existing TOPIX 100 constituents, to ETFs, etc. in principle in order to lessen the operational burden of market users as much as possible. <p>Normally, we think tick sizes should be optimized appropriately in consideration of liquidity and product characteristics. TSE will continue to assess the issues and improve its tick size policy for ETFs, etc., including these</p>
Trading Unit	Current	After Revision						
Less than 10 units	The same tick size system as issues other than TOPIX 100 constituents	New tick size system						

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	10 units or more	The same tick size system as issues other than TOPIX 100 constituents	The same tick size system as TOPIX 100 constituents	<p>revisions, so that all investors can execute trades at favorable prices.</p>							
<ul style="list-style-type: none"> If the rule changes are to improve investment convenience, we think it would be easier for investors and distributors to accept if the same tick size system was applied to all ETFs. We have been informed that the reason it is not possible for the tick sizes of ETFs whose trading unit is less than 10 to be the same as those for TOPIX 100 constituents is because settlement would be affected if tick sizes are less than JPY 1. Since tick sizes of less than JPY 1 are applied to the price range of JPY 3,000 or less under the current tick size system for TOPIX 100 constituents, we think it would be possible to apply the same tick size system to any issue if the tick size of less than JPY 1 is not used just for ETFs. The tick sizes shown below can be applied to all ETFs and for the JPY 3,000 and over price range, are better than the current tick sizes. <p>Example</p> <table border="1" data-bbox="331 1222 1205 1321"> <thead> <tr> <th data-bbox="331 1222 566 1270">Price Level</th> <th data-bbox="566 1222 813 1270">TOPIX 100 Constituents</th> <th data-bbox="813 1222 992 1270">All ETFs (Current)</th> <th data-bbox="992 1222 1205 1270">All ETFs (Proposed)</th> </tr> </thead> <tbody> <tr> <td data-bbox="331 1270 566 1321">JPY 1,000 or less</td> <td data-bbox="566 1270 813 1321">JPY 0.1</td> <td data-bbox="813 1270 992 1321">JPY 1</td> <td data-bbox="992 1270 1205 1321">JPY 1</td> </tr> </tbody> </table>					Price Level	TOPIX 100 Constituents	All ETFs (Current)	All ETFs (Proposed)	JPY 1,000 or less	JPY 0.1	JPY 1
Price Level	TOPIX 100 Constituents	All ETFs (Current)	All ETFs (Proposed)								
JPY 1,000 or less	JPY 0.1	JPY 1	JPY 1								

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	JPY 3,000 or less	JPY 0.5	JPY 1	JPY 1	
	JPY 5,000 or less	JPY 1	JPY 5	JPY 1	
	JPY 10,000 or less	JPY 1	JPY 10	JPY 1	
	JPY 30,000 or less	JPY 5	JPY 10	JPY 5	
	JPY 50,000 or less	JPY 10	JPY 50	JPY 10	
	JPY 100,000 or less	JPY 10	JPY 100	JPY 10	
	JPY300,000 or less	JPY 50	JPY 100	JPY 50	
	JPY 500,000 or less	JPY 100	JPY 500	JPY 100	
	JPY 1 million or less	JPY 100	JPY 1,000	JPY 100	
	JPY 3 million or less	JPY 500	JPY 1,000	JPY 500	
	JPY 5 million or less	JPY 1,000	JPY 5,000	JPY 1,000	
	JPY 10 million or less	JPY 1,000	JPY 10,000	JPY 1,000	
	JPY 30 million or less	JPY 5,000	JPY 10,000	JPY 5,000	
	JPY 50 million or less	JPY 10,000	JPY 50,000	JPY 10,000	
	Over JPY 50 million	JPY 10,000	JPY 100,000	JPY 10,000	
12	<ul style="list-style-type: none"> From the perspective of establishing an appropriate competitive market environment, we think TSE should also consider reducing the tick sizes of mid- and small-cap stocks and other products, not just the ETFs which are subject to these revisions. Also, especially from the standpoint of retail investors, if the tick size table applied differs depending on the issue or if TSE's tick size table is 				<ul style="list-style-type: none"> As indicated in the Action Program, the costs associated with tick sizes for medium liquidity stocks are large from a global perspective, so TSE will proceed to make revisions to optimize tick sizes so that all investors can execute trades at favorable prices. In addition, TSE will find ways to disseminate information on

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	<p>different from that of a proprietary trading system, that would lead to confusion. It would be desirable to establish a rule that requires applying a common table and not separating tick size tables for each issue and/or exchange (system).</p> <ul style="list-style-type: none"> In addition, since competition that excessively reduces tick sizes could lead to investor confusion, we request TSE to consider tick rules going forward taking into consideration simplicity and convenience for investors. 	<p>which ETFs, etc. tick sizes of TOPIX 100 constituents are applied to in a way as easy to understand for investors as possible.</p> <ul style="list-style-type: none"> We understand that while exchanges in Europe and U.S. used to compete with one another to reduce tick sizes, as a result of harm caused by excessive reductions, there are now regulations on minimum tick sizes. On the other hand, we do not have a uniform regulation in Japan. As you commented, since it is important that tick sizes should be easier to understand for investors, we will continue optimizing tick sizes going forward after conducting research which takes this kind of perspective into consideration.
13	<p>In the remarks column of (i) Changes in tick sizes for ETFs, it says that the threshold price which the closing price of an issue has to fall to in order to be switched from the tick sizes of TOPIX 100 constituents (hereinafter "small tick") to the tick sizes of issues other than TOPIX 100 constituents (hereinafter "regular tick"), JPY 5,000, is different from the threshold price which the closing price of an issue has to rise to in order to be switched from the regular tick to the small tick, JPY 7,000. We request for TSE to unify the threshold price and apply it seamlessly instead of applying it from the second business day afterwards.</p>	<ul style="list-style-type: none"> We think the suggested method would be possible. However, if we unify the threshold price at which issues are switched between the small tick and the regular tick and prices fluctuate near said threshold price, different tick sizes could be applied on every business day. As a result, securities companies could shoulder more burden in terms of maintenance, and it could be very difficult for investors to understand the rules (for example, in the case that we unify the threshold price to JPY 5,000 and apply it from the

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	<ul style="list-style-type: none"> Since there are two separate threshold prices, one for changes from the small tick to the regular tick and the other for changes from the regular tick to the small tick, they cause disadvantages such as that (1) rules are complicated and difficult to understand for investors (two tick size tables will coexist for issues whose trading unit is 1 and the price range is from JPY 5,000 to JPY 7,000), and (2) complicated programs are required for the IT system. If the threshold price is unified and the application date is not from the second business day afterwards, not only will the rule be easier to understand, the system programs will be simpler because (A) for issues whose trading unit is 10 or more, the small tick will be applied and (B) for issues whose trading unit is 1, the regular tick will be applied from JPY 1 up to the threshold price and the small tick will be applied from the threshold price, meaning that only one table has to be used. 	<p>day after the threshold is reached, if the price of an ETF whose trading unit is 1 changes from JPY 4,900 on day 1 to JPY 5,100 on day 2 and JPY 4,900 on day 3, the tick sizes would change from the regular tick on day 2 to the small tick on day 3 and the regular tick again on day 4).</p> <ul style="list-style-type: none"> In addition, if different tick sizes are applied on the business day following the day when the threshold is reached, there is a possibility that securities companies and investors would have insufficient time to prepare and insufficient prior notification. This is why we have chosen to apply different tick sizes from the second business day afterwards. Please note that the level of threshold prices is set based on the past price fluctuation of ETFs, etc. so tick sizes do not change frequently. The purpose of the revisions is to implement a swift response for reducing the tick sizes of ETFs, etc. so we decided to apply the existing small tick in order to lessen the operational burden on market users as much as possible. Since we think that tick sizes should be reviewed so that all investors can execute trades at favorable prices and understand them easily, TSE will continue to assess the

No.	Summary of comment	TSE response
	<ul style="list-style-type: none"> • We request TSE to change the implementation date to April 2022 (the same as "(ii) Security deposit rate for margin transactions for leveraged products") • As application of the small tick to ETFs, etc. is happening for the first time, if it is to start in October 2021, the time is way too short (three months from the release of the consultation and less than two months after the closing date of public comments) for trading participants to make changes to their IT systems (which is required for the new changes since it is systematically different from the application of the small tick to common stocks), and hasty. 	<p>issues and improve its tick size policy for ETFs, etc., taking into consideration the suggested comments.</p> <ul style="list-style-type: none"> • As mentioned above, the purpose of these revisions is to lessen the operational burden on market users as much as possible by applying, in principle, the existing small tick to ETFs, etc. without establishing new tick sizes. As for the implementation date, while we need to respond swiftly to recent stock price levels, we also need to decide based on the preparation statuses of market participants. As such, we have decided to implement the revisions on a date specified by TSE that falls on or after October 29, 2021. We will announce the specific implementation date as soon as it is determined.

Comment submitters: 1. is from XTX Markets Limited, 2. is from Optiver Australia Pty Limited, 3. is from KYOKUTO SECURITIES CO., LTD., 4. is from an individual, 5. is from DHARMA.CAPITAL K.K., 7. is from Nomura Asset Management Co., Ltd., 8. is from Barclays Securities Japan Limited, 9. is from THE HIKARI SECURITIES CO., LTD., 10. is from FIL Investments (Japan) Limited, 11. is from BlackRock Japan Co., Ltd., 12. is from Monex, Inc. and 13. is from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.