

## Revisions of Requirements for Acquisition of Trading Qualifications

March 31, 2020  
Tokyo Stock Exchange, Inc.  
Osaka Exchange, Inc.

### I. Purpose

Mergers among securities companies in recent years have contributed to a clear decline in the number of trading participants at Tokyo Stock Exchange, Inc. (TSE) and Osaka Exchange, Inc. (OSE). Meanwhile, securities companies deploying new business models, such as robo-advisors and those specialized in providing smartphone-based services, have emerged, and they are expected to provide new channels mainly for new, young investors.

TSE and OSE recognize the diversification of types of trading participants as an important perspective toward responding to the needs of various investors. In light of the current situation, TSE and OSE consider it necessary to develop the environment to facilitate the acquisition of trading qualifications by a variety of securities companies, including those deploying new business models as mentioned above.

As such, TSE and OSE will revise the requirements for acquisition of trading qualifications as follows based on the condition that trading participant quality continues to be ensured through thorough examinations of applicants' management structures and business execution systems.

### II. Outline

| Items   | Contents   | Remarks  |
|---|--|--|
| 1. Partial revision of the financial requirements in the trading qualification acquisition criteria | <ul style="list-style-type: none"><li>The financial requirements in the trading qualification acquisition criteria shall include being "expected to ... maintain business continuity".</li></ul> | <ul style="list-style-type: none"><li>Currently, the requirements include being "expected to ... achieve stable profitability", with the specific criteria applied as either (1) favorable ratio (around 100%) of ordinary income to current expenses or (2) recorded ordinary profit and net profit for the most recent two business years and a positive earnings outlook for the current business year.</li><li>Going forward, the requirement will be revised to be "expected to ... maintain business continuity", indicated at left, and the specific criteria to be applied therefor will be both (1) business record of trading, etc. in listed securities/listed derivatives for more than two business years at the time of application and (2) recorded profit in either of the most recent two business years prior to the year of application and being reasonably expected to continue recording profits based on figures in its plans after acquiring trading qualifications.</li></ul> |

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| Items                              | Contents  | Remarks   |
|------------------------------------|---|---|
|                                    |   | <ul style="list-style-type: none"> <li>• Even in the case where an applicant does not meet the above specific criteria, TSE and OSE will consider the financial condition of its parent company to determine whether the applicant satisfies the requirement.</li> <li>• Other financial requirements in the trading qualification acquisition criteria (capital stock, amount of net assets and capital-to-risk ratio) will remain unchanged.</li> </ul>   |
| 2. Reduction of the admission fees | <ul style="list-style-type: none"> <li>• The admission fees will be reduced as follows. <ul style="list-style-type: none"> <li>– General trading participants (JPY 8 million)</li> <li>– Futures, etc. trading participants (JPY 3 million)</li> <li>– Government bond futures, etc. trading participants (JPY 1 million)</li> <li>– Commodity futures, etc. trading participant (JPY 1 million)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The current admission fees were determined at the time of establishing the current Trading Participant Regulations, following the demutualization of Tokyo Stock Exchange (former TSE), and were regarded as "the amounts calculated by prorating the construction cost of trading-related systems (software) that is representative of the intangible value of the know-how of trading and settlement and other matters accumulated until that time at former TSE" ("Outline of the Organizational Change for Demutualization and the Rules and Regulations after the Organizational Change" dated September 18, 2001 published by former TSE). (Japanese only)<br/>Going forward, the admission fees will be positioned as fees for acquiring the trading qualification and will be as indicated at left, which were determined with reference to matters including the levels of admission fees in major overseas exchanges.</li> <li>• The current admission fees are as follows. <ul style="list-style-type: none"> <li>– General trading participants (JPY 100 million)</li> <li>– Futures, etc. trading participants (JPY 50 million)</li> <li>– Government bond futures, etc. trading participants (JPY 30 million)</li> </ul> </li> <li>• Remote trading participants will also be subject to the same</li> </ul> |

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| Items   | Contents  | Remarks  |
|---|---|--|
|   |   | admission fees as indicated at left. (Currently, the admission fees for remote trading participants are JPY 10 million for general trading participants and JPY 5 million for futures, etc. trading participants.)   |
| 3. Abolition of the rules on the transfer of trading rights | <ul style="list-style-type: none"> <li>The rules on the transfer of trading rights shall be abolished.</li> </ul> | <ul style="list-style-type: none"> <li>Under the current rules, a trading participant that has applied to waive its trading qualification may, at the same time of the waiver, transfer its trading right only to an entity that will obtain a trading qualification on condition of the waiver. In such a case, the entity that will become a trading participant will not be required to pay the admission fee.</li> <li>Please note that OSE has already abolished such rules.</li> </ul> |

### III. Implementation Date (Scheduled)

- These revisions are scheduled to be implemented in May 2020.
- With regard to the admission fees for commodity futures, etc. trading participants, indicated in item 2, the revision is scheduled to be implemented in July 2020 with the implementation of the rules and regulations for the product transfer from Tokyo Commodity Exchange to OSE, etc.

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