

## Outline of Specifications for JPX-Nikkei 400 Options

June 24, 2015

Osaka Exchange, Inc.

Items	Contents	Notes
I. Purpose	<ul style="list-style-type: none"> <li>Considering the current trading conditions of JPX-Nikkei Index 400 futures (hereafter "JPX-Nikkei 400 futures"), launched in November 2014, and the needs of market participants, Osaka Exchange, Inc. (OSE) will introduce options based on the JPX-Nikkei Index 400 (hereafter "JPX-Nikkei 400 options").</li> </ul>	
II. Contract Specifications		
1. Contracts	<ul style="list-style-type: none"> <li>The contracts for trading will be put options and call options that pertain to the JPX-Nikkei Index 400 (hereafter "JPX-Nikkei 400"), the underlying index.</li> </ul>	
2. Trading		
(1) Trading Sessions and Trading Hours	<ul style="list-style-type: none"> <li>Auction trading will be divided into day and night sessions with the trading hours as follows.               <ul style="list-style-type: none"> <li>a. Day session                   <ul style="list-style-type: none"> <li>Opening auction 9:00 a.m.</li> <li>Regular session From 9:00 a.m. to 3:10 p.m.</li> <li>Closing auction 3:15 p.m.</li> </ul> </li> <li>b. Night session                   <ul style="list-style-type: none"> <li>Opening auction 4:30 p.m.</li> <li>Regular session From 4:30 p.m. to 5:25 a.m. the next day</li> <li>Closing auction 5:30 a.m. the next day</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Same as other index options (matters that are not described in this document will be same as other index options after implementation of next J-GATE; the same shall apply hereinafter).</li> <li>The non-cancel period, which will be introduced with next J-GATE, will not apply.</li> </ul>
(2) Trading Method	<ul style="list-style-type: none"> <li>Trading will be conducted by individual auction through the trading system.</li> </ul>	<ul style="list-style-type: none"> <li>The trading system will be next J-GATE.</li> </ul>

(Reference Translation)

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3. Contract Months and Number thereof	<ul style="list-style-type: none"><li>• 19 contract months will be listed, and the last trading day of each contract month will be the business day preceding the 2nd Friday of the corresponding contract month (to be moved forward accordingly if it falls on a non-business day).<ul style="list-style-type: none"><li>➤ June and December: 10 nearest contract months</li><li>➤ March and September: 3 nearest contract months</li><li>➤ Others: 6 nearest contract months</li></ul></li><li>• Trading in a new contract month will start from the day session of the business day after the last trading day of the nearest contract month.</li></ul>	<ul style="list-style-type: none"><li>• Trading period is up to 5 years.</li></ul>
4. Strike Prices and Number thereof (1) New Setting  (2) Additional Setting	<ul style="list-style-type: none"><li>• Strike prices will be set at the nearest integer multiple of 500 points (if there are two such numerical values, whichever is higher; the same will apply hereafter) from the last price of JPX-Nikkei 400 as the At-the-Money (hereafter "ATM"), and at the nearest 8 integer multiples of 500 points respectively above and below the ATM.</li><li>• Additional strike prices set after the initial trading day of each contract month will be based on the following items.<ul style="list-style-type: none"><li>a. Contract months for which the 2nd Friday of the month, after which the residual expiration period will be less than 3 months, has not arrived.<ul style="list-style-type: none"><li>In the case where there are 7 or less existing strike prices either above or below the ATM, additional strike prices will be set until there are 8 strike prices at consecutive integer multiples of 500 points above and below the ATM for such contract month.</li></ul></li><li>b. Other contract months described in a. above (i.e., the 3 nearest contract months).<ul style="list-style-type: none"><li>In the case where there are 7 or less existing strike prices (limited to those set at consecutive integer multiples of 250 points from the ATM) either above or below the</li></ul></li></ul></li></ul>	

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<p>5. Contract Multiplier and Bids/Offers, etc.</p> <p>(1) Contract Multiplier</p> <p>(2) Bids and Offers</p> <p>(3) Tick Size</p> <p>(4) Price Limits on Bids/Offers</p>	<p>ATM, which is set at the nearest integer multiple of 250 points from the last price of JPX-Nikkei 400, additional strike prices will be set until there are 8 strike prices above and below the ATM at consecutive integer multiples of 250 points from the ATM for such contract month.</p> <ul style="list-style-type: none"> <li>Contract multiplier will be JPY 1,000.</li> <li>Market orders and limit orders will be available along with the validity period and execution volume conditions specified by OSE.</li> <li>Tick sizes will be based on the bid/offer price as follows. <table border="1" data-bbox="568 887 1406 1040"> <thead> <tr> <th data-bbox="568 887 1032 938">Bid/Offer Price</th> <th data-bbox="1032 887 1406 938">Tick Size</th> </tr> </thead> <tbody> <tr> <td data-bbox="568 938 1032 989">50 points or less</td> <td data-bbox="1032 938 1406 989">1 point</td> </tr> <tr> <td data-bbox="568 989 1032 1040">More than 50 points</td> <td data-bbox="1032 989 1406 1040">5 points</td> </tr> </tbody> </table> </li> <li>Bids and offers may not be made beyond the price limits on bids/offers defined by OSE.</li> <li>The range for the price limits on bids/offers will be a value from the reference price (hereafter "price limit range") that is set based on such reference price (as a general rule, the settlement price on the previous trading day).</li> <li>The price limit range will be a value obtained by multiplying the reference price for calculating the price limit range for JPX-Nikkei 400 futures by ratio (1) in the table below.</li> </ul>	Bid/Offer Price	Tick Size	50 points or less	1 point	More than 50 points	5 points	<ul style="list-style-type: none"> <li>Contract size of JPX-Nikkei 400 futures is JPY 100 multiplied by the index value of JPX-Nikkei 400.</li> <li>The same rules as for other index options will apply to validity period and execution volume conditions.</li> <li>As a general rule, the same as for other index options.</li> <li>The reference price for calculating the price limit range for JPX-Nikkei 400 futures is the average value of</li> </ul>
Bid/Offer Price	Tick Size							
50 points or less	1 point							
More than 50 points	5 points							

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<p>6. Suspension of Trading and Temporary Trading Halts</p> <p>(1) Suspension of Trading</p>	<ul style="list-style-type: none"> <li>• The upper or lower price limit range will be expanded when the Circuit Breaker is triggered, and will be a value obtained by multiplying the price for calculating the price limit range by ratio (2) and ratio (3) respectively in the table below.</li> </ul> <table border="1" data-bbox="546 320 1599 751"> <thead> <tr> <th data-bbox="546 320 866 416">Reference Price</th> <th data-bbox="866 320 1111 416">Price Limit Range (1)</th> <th data-bbox="1111 320 1355 416">First Expansion (2)</th> <th data-bbox="1355 320 1599 416">Second Expansion (3)</th> </tr> </thead> <tbody> <tr> <td data-bbox="546 416 866 485">Less than 50 points</td> <td data-bbox="866 416 1111 485">4 %</td> <td data-bbox="1111 416 1355 485">7 %</td> <td data-bbox="1355 416 1599 485">10 %</td> </tr> <tr> <td data-bbox="546 485 866 580">50 points or more but less than 200 points</td> <td data-bbox="866 485 1111 580">6 %</td> <td data-bbox="1111 485 1355 580">9 %</td> <td data-bbox="1355 485 1599 580">12 %</td> </tr> <tr> <td data-bbox="546 580 866 676">200 points or more but less than 500 points</td> <td data-bbox="866 580 1111 676">8 %</td> <td data-bbox="1111 580 1355 676">11 %</td> <td data-bbox="1355 580 1599 676">14 %</td> </tr> <tr> <td data-bbox="546 676 866 751">500 points or more</td> <td data-bbox="866 676 1111 751">11 %</td> <td data-bbox="1111 676 1355 751">14 %</td> <td data-bbox="1355 676 1599 751">17 %</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• OSE may suspend trading in the following situations:             <ol style="list-style-type: none"> <li>a. In cases where OSE deems that trading conditions are irregular;</li> <li>b. In cases where OSE deems it inappropriate to continue trading in terms of trading supervision;</li> <li>c. In cases where OSE deems it difficult to continue trading through the trading system due to trading system malfunction, etc.</li> </ol> </li> </ul>	Reference Price	Price Limit Range (1)	First Expansion (2)	Second Expansion (3)	Less than 50 points	4 %	7 %	10 %	50 points or more but less than 200 points	6 %	9 %	12 %	200 points or more but less than 500 points	8 %	11 %	14 %	500 points or more	11 %	14 %	17 %	<p>the reference prices of the central contract month on each trading day during the 20-day period counting from the trading day that is 25 days prior to the first trading day of the March, June, September, and December contracts.</p> <ul style="list-style-type: none"> <li>• Same as other index options.</li> </ul>
Reference Price	Price Limit Range (1)	First Expansion (2)	Second Expansion (3)																			
Less than 50 points	4 %	7 %	10 %																			
50 points or more but less than 200 points	6 %	9 %	12 %																			
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500 points or more	11 %	14 %	17 %																			

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(2) Temporary Trading Halt (Circuit Breaker)	<ul style="list-style-type: none"><li>• If the circuit breaker is triggered for JPX-Nikkei 400 futures and trading is halted, trading in all issues of JPX-Nikkei 400 options will also be temporarily halted.</li><li>• If trading is temporarily halted, the upper and lower price limits on bids/offers for all issues will be expanded.</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>
(3) Immediately Executable Price Range (Dynamic Circuit Breaker)	<ul style="list-style-type: none"><li>• The Dynamic Circuit Breaker (hereinafter "DCB") will apply to each issue in the regular sessions as follows.<ul style="list-style-type: none"><li>a. When a bid or offer that is likely to be executed beyond the price range that is determined by OSE from the DCB reference price (hereinafter "DCB range") is accepted, all matching trades within the DCB range will be executed and trading will be suspended for a certain period.</li><li>b. If trading has been suspended for a certain period pursuant to a. above and the matching price falls beyond the DCB range from the reference price, trading will not resume, the DCB reference price will be updated to the price within the DCB range that is nearest the matching price, and trading will again be suspended for a certain period.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li><li>• The DCB reference price will be the middle price between the last best bid and offer (including the contract price).</li><li>• The DCB range shall be up/down 10 ticks from the DCB reference price, and the duration of the trading suspension shall be 15 seconds.</li></ul>
7. Method of Trading Restriction	<ul style="list-style-type: none"><li>• In cases where OSE deems that trading conditions are, or are likely to be, irregular, OSE may take necessary action on trading and accepting the entrustment of orders pursuant to OSE rules.</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>
8. Strategy Trading	<ul style="list-style-type: none"><li>• Strategy trading for JPX-Nikkei 400 options will be available to trading participants pursuant to OSE rules.</li><li>• The tick size for strategy trading will be 1 point.</li></ul>	<ul style="list-style-type: none"><li>• Implied function will not be available.</li><li>• Other matters related to strategy trading will be same as for other index options.</li></ul>

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Items	Contents	Notes
9. J-NET Trading (Block Trade)	<ul style="list-style-type: none"><li>• J-NET trading for JPX-Nikkei 400 options will be available to trading participants pursuant to OSE rules.</li><li>• The tick size for strategy trading will be 0.0001 point.</li></ul>	<ul style="list-style-type: none"><li>• Other matters related to J-NET trading will be the same as for other index options.</li></ul>
10. Give-up	<ul style="list-style-type: none"><li>• Give-up will be available for JPX-Nikkei 400 options.</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>
11. Trading Participants	<ul style="list-style-type: none"><li>• Trading participants with Futures, etc. Trading Qualification will be able to trade JPX-Nikkei 400 options directly in the OSE market.</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>
III. Clearing and Settlement		
1. Clearing Organization	<ul style="list-style-type: none"><li>• Trades of JPX-Nikkei 400 options shall be cleared by Japan Securities Clearing Corporation (hereinafter "JSCC").</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>
2. Clearing and Settlement		
(1) Declaration of Resale or Repurchase	<ul style="list-style-type: none"><li>• In cases where a resale or repurchase transaction is executed, clearing participants shall make a declaration to JSCC by a time specified by JSCC indicating, for each issue, whether such transaction was a resale or repurchase, the number of contracts in such transaction, and whether it was conducted based on entrustment by a customer or for a proprietary account. Non-clearing participants shall make such declaration to their designated clearing participants by a time specified by said clearing participants. However, non-clearing participants will be allowed to make a declaration directly to JSCC as specified by JSCC.</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>
(2) Settlement Price	<ul style="list-style-type: none"><li>• Settlement prices for JPX-Nikkei 400 options will be determined by JSCC.</li></ul>	<ul style="list-style-type: none"><li>• Same as other index options.</li></ul>

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(3) Payment/Receipt of Options Premiums	<ul style="list-style-type: none"><li>When a transaction of JPX-Nikkei 400 options is executed, the clearing participants shall pay (receive) the options premium to (from) JSCC, and, in this case, non-clearing participants shall pay (receive) the options premium to (from) its designated clearing participant.</li></ul>	<ul style="list-style-type: none"><li>Same as other index options.</li></ul>
(4) Margin	<ul style="list-style-type: none"><li>Clearing participants shall submit or deposit to JSCC, and non-clearing participants shall submit or deposit to their designated clearing participants an amount of margin that is equivalent to or greater than that required by JSCC in accordance with the classification of entrustment by clearing participant's customer or proprietary account.</li></ul>	<ul style="list-style-type: none"><li>Same as other index options.</li></ul>
(5) Exercise a. Notification and Assignment of Exercise of Options	<ul style="list-style-type: none"><li>Clearing participants shall notify JSCC of the matters below by a time specified by JSCC, and non-clearing participants shall make such declaration to its designated clearing participant by a time specified by said clearing participant. However, non-clearing participants will be allowed to make a declaration directly to JSCC based on JSCC provisions.</li><li>For exercise for long positions on JPX-Nikkei 400 options, the classification of entrustment by clearing participant's customer or proprietary account and the number of contracts for each issue in the transaction.</li><li>In the case where a clearing participant notifies JSCC of options exercise, JSCC will carry out assignment of the number of contracts corresponding to exercise for each issue pursuant to JSCC rules.</li></ul>	<ul style="list-style-type: none"><li>A put (call) option at a strike price that is higher (lower) than the options settlement price will be deemed to have been subject to such notification of exercise even if such notification is not given.</li><li>However, the above will not apply if the clearing participant notifies of non-exercise.</li><li>Other matters related to options exercise will be the same as for other index options.</li></ul>
b. Exercise Date	<ul style="list-style-type: none"><li>Exercise date will be the business day after the last trading day of each contract month.</li></ul>	
c. Settlement of Exercise	<ul style="list-style-type: none"><li>When JPX-Nikkei 400 options are exercised, settlement will be made, based on the options settlement price, on the business day after the exercise date.</li></ul>	

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(6) Options Settlement Price	<ul style="list-style-type: none"><li>Options settlement price will be determined after the close of the day session on the exercise date and this price will be calculated based on the opening prices of each component issue on that day.</li></ul>	
IV. Others		
1. Trading Fees	<ul style="list-style-type: none"><li>The trading fee per contract will be determined at a later date.</li></ul>	
2. Market Maker Scheme	<ul style="list-style-type: none"><li>A market maker scheme will be introduced to complement market liquidity.</li></ul>	<ul style="list-style-type: none"><li>Details will be notified later.</li></ul>
3. Disclosure of Information		
(1) Market Data	<ul style="list-style-type: none"><li>Open/high/low/close price data, trading volume, open interest, and other market information on JPX-Nikkei 400 options will be published separately from other index options.</li></ul>	<ul style="list-style-type: none"><li>Same as other index options.</li></ul>
(2) Trading by Trading Participant	<ul style="list-style-type: none"><li>For the time being, trading volume and open interest per trading participant will not be disclosed.</li></ul>	
(3) Trading by Investor Type	<ul style="list-style-type: none"><li>Trading volume and value for sales and purchases by different categories of investors will be published separately from other index options.</li></ul>	<ul style="list-style-type: none"><li>The specific frequency and method of disclosure will be the same as for other index options.</li></ul>
V. Implementation Date	<ul style="list-style-type: none"><li>JPX-Nikkei 400 options will start trading on the launch date of next J-GATE (scheduled for the middle of 2016).</li></ul>	

Note: "JPX-Nikkei Index 400" (hereinafter referred to as "JPX-Nikkei 400") is copyrighted work calculated through methods independently developed by Japan Exchange Group, Inc. (JPX), Tokyo Stock Exchange, Inc. (TSE) and Nikkei Inc. (Nikkei). JPX, TSE and Nikkei own copyrights and any other intellectual property rights to JPX-Nikkei 400 and the methods used to calculate JPX-Nikkei 400. All the business and trading regulations on futures contracts based on JPX-Nikkei 400 shall be



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managed under the responsibilities of Osaka Exchange, Inc. and its trading participants, etc. Accordingly, JPX, TSE and Nikkei, which manages JPX-Nikkei 400, shall not assume any obligations or responsibilities for related business and trading regulations. JPX, TSE and Nikkei shall not be obligated to continuously publish JPX-Nikkei 400. JPX, TSE and Nikkei shall not be liable for any error, delay or discontinuation of publication of JPX-Nikkei 400. JPX, TSE and Nikkei shall have the rights to make any changes in component stocks, calculation methods and any other elements or contents of JPX-Nikkei 400. JPX, TSE and Nikkei shall also have the right to discontinue publishing JPX-Nikkei 400.