

Revisions to Trading Rules in Connection with Launch of J-GATE3.0

July 28, 2020

Tokyo Commodity Exchange, Inc.

I. Purpose

Tokyo Commodity Exchange, Inc. (“TOCOM”) is currently developing the next-generation derivatives trading system (“J-GATE3.0”) for launch in the third quarter of fiscal year 2021. This comes as an initiative to build a market platform aligned with changes in the business environment and the needs of market users to realize the pursuit of “the shape of the market” toward the next generation, one of the core strategies of the medium-term management plan of Japan Exchange Group, Inc.

TOCOM aims to further improve the reliability of its systems and to develop the derivatives market in J-GATE3.0 based on the concept of “Launch Timely” to realize the timely addition of products and functionalities and thereby promote the development of long-tail products.

As part of a series of such initiatives, TOCOM will partially revise the trading rules in line with the launch of J-GATE3.0 from the perspective of making the market more reliable and convenient for investors, members, and other market users.

Aside from these revisions, Osaka Exchange, Inc. (“OSE”) is considering introducing derivatives holiday trading with the aim of implementation as early as possible after the launch of J-GATE3.0 (around 1-2 years after system launch). In line with this, TOCOM is also considering a policy regarding the introduction of holiday trading.

II. Outline

Item	Detail	Remarks
1. Trading Hours (1) Expansion of night session	<ul style="list-style-type: none">The end of the regular session of the night session shall be changed to 5:55 a.m. and the closing auction of the night session shall be conducted at 6:00 a.m. (No change for the trading hours of the day session.)	<ul style="list-style-type: none">Currently, the closing auction of the night session is conducted at 5:30 a.m.Same as current, the end of the regular session of the night session for Electricity Futures in Energy Market shall be 6:55 p.m., and the closing auction of the night session for Electricity Futures shall be conducted at 7:00 p.m.

Item	Detail	Remarks
<p>2. Trading Regulations</p> <p>(1) Application of the immediately executable price range to the opening auction</p> <p>(2) Change in the immediately executable price range applied to the closing auction</p> <p>(3) Revision of the trigger conditions for static circuit breakers</p>	<ul style="list-style-type: none"> • The immediately executable price range shall also be applied to the opening auction. • The immediately executable price range applied to the closing auctions shall be changed. • With respect to temporary trading halts (static circuit breakers, hereinafter “SCB”), SCB shall be triggered immediately after execution, etc. at the lowest price or highest price of the price limit range for the central contract month* of each product, and after a certain period of time, the price limit range shall be expanded and trading resumes. * “Central contract month” means the month which TOCOM designates as the contract month with the highest trading liquidity. 	<ul style="list-style-type: none"> • Currently, the immediately executable price range is not applied to the opening auction. • To facilitate price formation in the opening auction, the immediately executable price range applied to the opening auction shall be wider than that for the regular sessions (see Appendix). • See Appendix for the immediately executable price range after the revision. • Currently, as a general rule, SCB is not triggered during the trading hours. • Duration of the temporary trading halt when SCB is triggered and price limit range after the expansion under J-GATE3.0 will be announced at a later date.
<p>3. Contract Specifications</p> <p>(1) Revision to the</p>	<ul style="list-style-type: none"> • The number of contract months of Crude Oil Futures shall be changed to fifteen 	<ul style="list-style-type: none"> • Currently, the number of contract

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number of contract months in the Crude Oil Futures	(15), one each for the fifteen (15) months starting from the month containing the first trading day of a new contract month.	months is six (6), one each for the six (6) months starting from the month containing the first trading day of a new contract month.
(2) Delisting of existing products	<ul style="list-style-type: none"> In consideration of the trading conditions and other aspects of Cash-settled contracts for Gasoline, Kerosene and Gas Oil in Energy Market (six products in total), these futures shall be delisted at the time of the launch of J-GATE3.0. 	
(3) Registration price range expansion of off-floor transaction for Electricity Futures	<ul style="list-style-type: none"> In order to improve the convenience of those who use off-floor transaction for Electricity Futures, the price range where off-floor transactions are allowed to be registered shall be expanded. Registration price range of off-floor transaction for Electricity Futures is calculated based on the following formula. Parameter N shall be expanded from the current 32 to 90. $X \pm (Y \times N \%)$ Provided that: X: (1) latest execution price; if (1) doesn't exist, then previous business day's settlement price Y: previous business day's settlement price 	<ul style="list-style-type: none"> Taking in account the seasonality of electricity prices and the preference observed in Electricity Futures off-floor trading for trading multiple delivery months in a single transaction, the parameter is relaxed so as to increase the possibility of the above trading being executed at a single price.
4. Others		
(1) Abolition of Market to Limit Orders	<ul style="list-style-type: none"> The Market to Limit Order ("MTLO") shall be abolished. (An MTLO is an order that is placed without a specified price and will be registered as an limit order at the executed price if the order partially remain unexecuted.) 	
(2) Introduction of restrictions on orders	<ul style="list-style-type: none"> In order to enforce discipline on efficient order placement among trading participants and conserve J-GATE3.0 system capacity, restrictions on orders 	<ul style="list-style-type: none"> The details and operations of OTR will be notified to members at a

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<p>corresponding to the trade ratio (Order to Trade Ratio)</p> <p>(3) Others</p>	<p>corresponding to the trade ratio (OTR: Order to Trade Ratio) shall be introduced.</p> <ul style="list-style-type: none"> • Other necessary revisions shall be made. 	<p>later date.</p>

III. Implementation Date (Scheduled)

These revisions will be implemented on the launch date of J-GATE3.0 (scheduled for the third quarter of FY2021).