(Reference Translation)

Introduction of Derivatives Holiday Trading

June 15, 2021
Osaka Exchange, Inc.
Tokyo Commodity Exchange, Inc.

I. Purpose

Osaka Exchange, Inc. (OSE) and Tokyo Commodity Exchange, Inc. (TOCOM) (hereinafter collectively referred to as the "Exchange") currently designate Saturdays, Sundays, national holidays and some days over New Year as non-business days. As Japan has relatively more national holidays than other countries, and as derivative exchanges in many countries operate their markets even on national holidays, there are many days where index futures and commodity futures trading can be carried out on overseas derivative exchanges while the Exchange is closed.

In light of this situation, the Exchange will introduce holiday trading in its derivatives market, from the perspective of further convenience for investors through provision of hedging opportunities during national holidays, thereby strengthening the competitiveness of Japan's derivatives markets.[1]

II. Outline

Item	Details	Remarks
1. Basic Framework (1) Eligible Holidays and Holiday Trading Days	・ In principle, all current non-business days (excluding Saturdays, Sundays, and January 1) will be eligible for holiday trading. ・ When the Exchange considers it necessary to use a holiday for the purpose of large scale system replacement, etc. at Japan Exchange Group, Inc. and its subsidiaries including the Exchange, or considers that a specific holiday should be excluded from the point of view of risk management, said holiday will be	・ In addition to Saturdays, Sundays, and January 1, national holidays (and substitute holidays), January 2, January 3, and December 31 are currently specified as non-business days.

[1] In order to conduct detailed study on the rules for derivatives holiday trading, OSE established a "Working Group on Derivatives Holiday Trading" last year consisting of market participants, and published a summary of the results of said Working Group's discussions in the form of a report in June 2020.
"Publication of Report of the Working Group on Derivatives Holiday Trading"
https://www.jpx.co.jp/english/corporate/news/news-releases/0060/20200630-01.html

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Item	Details	Remarks
	excluded from consideration as eligible for holiday trading.	
(2) Method of Announcement regarding Holiday Trading Days	・ The planned holiday trading days for the next year shall be announced in February, and the finalized dates for the first half and second half of the next year shall be announced in June and December respectively.	・ The schedule for the second half of the year will include the plan for the first eligible days of the following year. ・ See the appendix for details of the schedule announcement.
(3) Eligible Products	・ The eligible products for holiday trading shall be as follows by product category. a. JGB Futures and Options on JGB Futures: Not eligible b. Index Futures and Options: Eligible c. Commodity Futures and Options on Commodity Futures (including products listed on TOCOM): Eligible d. Securities Options: Not eligible	・ For new products listed in the future, eligibility for holiday trading will be decided by the Exchange for each product with consideration given to the handling of each product category as described on the left.
(4) Method of Participation	・ Any trading participant who participates in holiday trading (hereinafter referred to as a "holiday trading participant") will be required to apply in advance to the Exchange (hereinafter referred to as an "application for participation").	・ Participation in holiday trading is optional for trading participants. ・ Applications for participation do not need to be made separately for each holiday trading day. ・ Applications for participation shall

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		be accepted per trading participant and not per market or product. ・ If a trading participant chooses not to participate in holiday trading (hereinafter referred to as a "holiday trading non-participant"), they do not need to take any action, but the Exchange will suspend their ability to send orders during holiday trading.
	・ If a holiday trading participant chooses not to participate in trading on a specific holiday trading day, they will be required to submit to the Exchange in advance a separate application from the application for participation (hereinafter referred to as an "application for non-participation on a specific holiday").	・ If a holiday trading participant submits an application for non-participation on a specific holiday, the Exchange will suspend their ability to send orders during the relevant holiday trading day.
	・ If a holiday trading participant wishes to suspend placement of orders from a specific sub-participant code on a specific holiday trading day, they will be required to submit to the Exchange in advance a separate application from both the application for participation and application for non-participation on a specific holiday (hereinafter referred to as an "application for non-participation of a specific sub-participant code").	・ A sub-participant code is a unit of trading participant login IDs for the Exchange's derivative trading system (J-GATE). ・ If a holiday trading participant submits an application for non-participation of a specific sub-participant code, the Exchange will suspend the ability to send orders from that code during the relevant

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		holiday trading day. ・ Details of procedures for applications for participation, non-participation on a specific holiday and non-participation of a specific sub-participant code, as well as other advance notifications to be required by the Exchange, will be announced later. ・ For operational reasons related to derivatives holiday trading, information contained in applications submitted to the Exchange from trading participants will be managed jointly with Japan Securities Clearing Corporation (JSCC), which will set the rules for clearing and settlement of derivatives holiday trading.
2. Trading Rules (1) Markets	・ Both auction and off-auction (J-NET) markets shall be opened on holidays.	
(2) Trading Day and Trading Hours	・ The "trading day" of derivatives holiday trading shall be the same as that of the night session which starts on the business day preceding the holiday trading day(s) and the day session which starts from the business day following the	

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	holiday trading day(s). ・ The trading hours for day and night sessions of holiday trading days shall be the same as those for day and night sessions on weekdays.	・ Trading hours on the J-NET market shall also be the same as trading hours on weekdays.
(3) Contract Months/Strike Prices	・ The same trading rules as those on weekdays will apply to holiday trading.	・ There will be no contract months and/or strike prices set only for holiday trading (It will not be possible to set flexible contracts during a holiday).
(4) Reference Prices	・ The reference prices for price limit ranges shall be the same as those in the night session of the business day preceding the holiday trading day(s) and will not be updated based on holiday trading.	・ The reference prices in the day session of the business day following the holiday trading day(s) shall be, as at present, the same as those in the night session of the business day preceding the holiday trading day(s).
(5) Tick Sizes/Price Limit Ranges/Trading Units	・ The same trading rules as those on weekdays will apply to holiday trading.	・ Processes for expanding price limit ranges during holidays will be the same as those on weekdays. ・ In cases where a price limit range is expanded during the holiday, trading in the day session of the business day following the

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		holiday(s) will start with the expanded price limit range.
	・ In principle, the same trading rules as those on weekdays will apply to holiday trading with regard to order types and conditions.	・ However, GTC/GTD orders placed by holiday trading non-participants on or before the business day preceding the holiday trading day(s) will expire between the end of the night session of the preceding business day and the start of holiday trading, regardless of whether the product is eligible for holiday trading. Also, GTC/GTD orders placed by holiday trading participants will expire between the end of the holiday trading day and the start of the day session on the following business day.
(6) Temporary Trading Halts (Static Circuit Breaker (SCB))	・ The same trading rules as those on weekdays will apply to holiday trading.	・ As described in (5), after the SCB is triggered, the price limit range will be expanded in the same way as on weekdays.
(7) Immediately Executable Price Range (Dynamic	・ The duration of trading halts after the DCB is triggered will be longer than that on weekdays.	・ The duration of trading halts after the DCB is triggered on weekdays is, as a rule, 30 seconds for futures

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Circuit Breaker (DCB))		and 15 seconds for options. ・ We will notify trading participants later on the specific duration of trading halts during holidays.
(8) Strategy Trading	・ The same trading rules as those on weekdays will apply to holiday trading.	
(9) Give-Up	・ Applications for give-up (including give-up correction) and take-up for trades executed during a holiday will not be accepted during the holiday(s).	・ Applications for give-up and take-up for trades executed during the holiday(s) will be accepted on and after the business day following the holiday(s).
(10) Correction of Proprietary/Customer Accounts and Transactions for Error Correction	・ Applications for correction of proprietary/customer accounts and transactions for error correction will be accepted based on the same schedule as on weekdays, provided they are sent by a holiday trading participant.	・ "Business days" for the purpose of calculating the deadline for applications will not include holiday trading days.
(11) Other	a. Market Maker Program In principle, market maker programs will also apply for holiday trading.	・ Holiday trading non-participants (or their final customers) which are designated as market makers for product(s) eligible for holiday trading shall not be subject to obligations for quotes, etc. for said product(s) during the holiday(s).

Item	Details	Remarks
	b. Other With regard to the handling of trading rules other than those described above, in principle, the same trading rules as those on weekdays will apply to holiday trading.	・ We will notify trading participants later with details of performance obligations and incentives for the market maker programs related to holiday trading.
3. Clearing and Settlement Rules Handling of Clearing and Settlement for Holiday Trading	・ Clearing participants contracted by trading participants who participate in holiday trading shall be required to handle clearing and settlement for holiday trading in compliance with rules stipulated by JSCC.	・ See the outline published by JSCC for details.[2] ・ In cases where holiday trading reserve needs to be used as compensation based on JSCC's Loss Compensation Framework for listed derivatives, the plan is for the Exchange to make that contribution.
4. Trading Systems Available Systems	・ Holiday trading shall be conducted on J-GATE. ・ The J-NET portal (a service provided by OSE as a system for orders on the J-	・ However, it will not be possible to

[2]"Outlines related to Risk Management Framework associated with Introduction of Derivatives Holiday Trading" https://www.jpx.co.jp/jscc/en/public.html

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	NET market) will be also available.	set flexible contracts during a holiday.
5. Other (1) Publication of Statistics for Holiday Trading by the Exchange	・ Trading volume and other statistics for holiday trading will be published by treating the "trading day" for holiday trading as part of the night session of the business day preceding the holiday trading day(s) and the day session of the business day following the holiday trading day(s).	・ We will not publish trading volumes and opening/high/low/closing prices separately for just the holiday trading day.
(2) Other	・ Other necessary revisions shall be made.	

III. Implementation Date (Planned)

The start of derivatives holiday trading has been set for around September 2022. Holiday trading days in 2022 will be announced by around the end of 2021 using the method described in II-1-(2).

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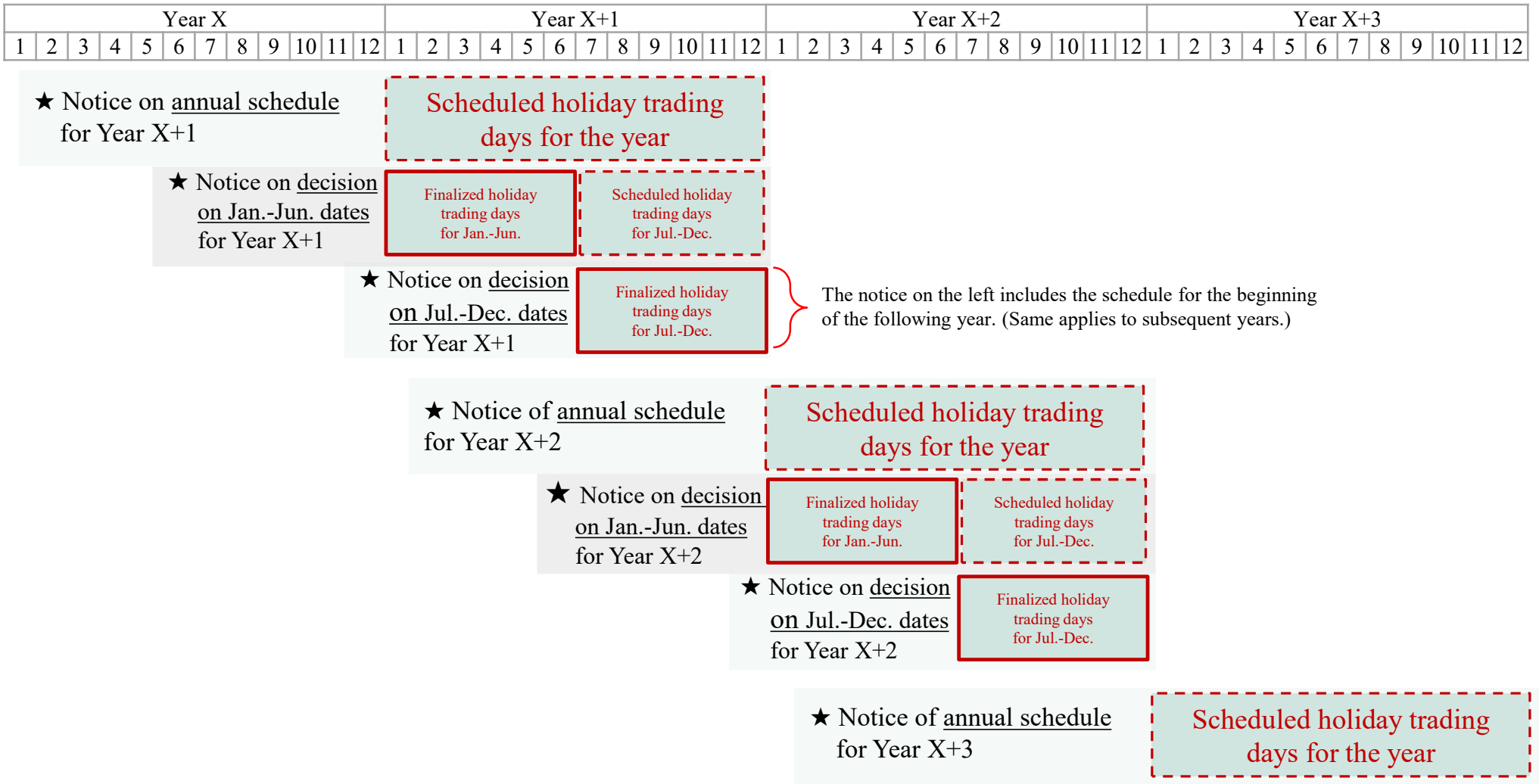
Appendix_Schedule for Announcement of Holiday Trading Days

- Generally, the Exchange announces and notifies the schedule for holiday trading based on the following schedule.
  - Holiday trading days (scheduled) for the next year are announced in February every year.
  - Holiday trading days (finalized) for the first half and the second half of the next year are announced in June and December respectively.

Schedule for Announcement of Holiday Trading Days



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