

## Revision to the Contract Unit of Silver Futures and Palladium Futures

October 26, 2022

Osaka Exchange, Inc.

### I. Purpose

Osaka Exchange, Inc. will expand the contract unit of Silver Futures and Palladium Futures contracts to match the delivery unit, with the aim of eliminating the risk associated with position adjustments, improving the convenience of settlement by delivery, and revitalizing trading.

### II. Outline

Item	Description	Notes
1. Change in the contract unit	<ul style="list-style-type: none"> <li>• One contract unit of Silver Futures contracts will be 30 kilograms.</li> <li>• One contract unit of Palladium Futures contracts will be 3 kilograms.</li> </ul>	<ul style="list-style-type: none"> <li>• The current contract units of Silver Futures and Palladium Futures are 10 kilograms and 500 grams, respectively.</li> <li>• The delivery unit will remain at the current 30 kilograms for Silver Futures contracts and 3 kilograms for Palladium Futures contracts, thereby bringing the contract unit and the delivery unit in line with each other.</li> </ul>
2. Calendar spread combinations during the transition period	<ul style="list-style-type: none"> <li>• Calendar spread combinations between contract months with different contract units will not be eligible for strategy trading during the transition period as described in III below.</li> <li>• The combinations of calendar spreads and numbers of series during the transition period will be as shown in the Appendix.</li> </ul>	<ul style="list-style-type: none"> <li>• The normal combination is 15 series in total (1st - 2nd contract month, 1st - 3rd contract month, 1st - 4th contract month, 1st - 5th contract month, 1st - 6th contract month, 2nd - 3rd contract month,</li> </ul>

Item	Description	Notes																		
<p>3. Position limits and criteria for position reporting</p>	<p>(1) Position limits for positions held on the Trading Participant's own account</p> <ul style="list-style-type: none"> <li>The quantity limitations of positions held on the Trading Participant's own account are imposed respectively on the quantity of short and long positions, as shown in the table below.</li> </ul> <p>(a) Silver</p> <table border="1" data-bbox="600 791 1503 938"> <thead> <tr> <th data-bbox="600 791 922 890">Party Subject to Limit</th> <th data-bbox="922 791 1202 890">1<sup>st</sup> contract month</th> <th data-bbox="1202 791 1503 890">All contract months combined</th> </tr> </thead> <tbody> <tr> <td data-bbox="600 890 922 938">Trading Participants</td> <td data-bbox="922 890 1202 938">1,000 contracts</td> <td data-bbox="1202 890 1503 938">10,000 contracts</td> </tr> </tbody> </table> <p>(b) Palladium</p> <table border="1" data-bbox="600 987 1503 1232"> <thead> <tr> <th data-bbox="600 987 922 1134" rowspan="2">Party Subject to Limit</th> <th colspan="2" data-bbox="922 987 1202 1034">1<sup>st</sup> contract month</th> <th data-bbox="1202 987 1344 1134" rowspan="2">2<sup>nd</sup> contract month</th> <th data-bbox="1344 987 1503 1134" rowspan="2">All contract months combined</th> </tr> <tr> <th data-bbox="922 1034 1055 1134">Expiry month</th> <th data-bbox="1055 1034 1202 1134">Month before expiry month</th> </tr> </thead> <tbody> <tr> <td data-bbox="600 1134 922 1232">Trading Participants</td> <td data-bbox="922 1134 1055 1232">75 contracts</td> <td data-bbox="1055 1134 1202 1232">100 contracts</td> <td data-bbox="1202 1134 1344 1232">200 contracts</td> <td data-bbox="1344 1134 1503 1232">1,500 contracts</td> </tr> </tbody> </table> <p>(2) Position limits for client accounts</p> <ul style="list-style-type: none"> <li>The quantity limitations of positions held on client accounts are imposed respectively on the quantity of short and long positions, as shown in the table below.</li> </ul>	Party Subject to Limit	1 <sup>st</sup> contract month	All contract months combined	Trading Participants	1,000 contracts	10,000 contracts	Party Subject to Limit	1 <sup>st</sup> contract month		2 <sup>nd</sup> contract month	All contract months combined	Expiry month	Month before expiry month	Trading Participants	75 contracts	100 contracts	200 contracts	1,500 contracts	<p>2nd - 4th contract month, 2nd - 5th contract month, 2nd - 6th contract month, 3rd - 4th contract month, 3rd - 5th contract month, 3rd - 6th contract month, 4th - 5th contract month, 4th - 6th contract month, 5th - 6th contract month).</p> <ul style="list-style-type: none"> <li>The current position limits for positions held on the Trading Participant's own account are: for silver, 3,000 contracts for the 1<sup>st</sup> contract month and 30,000 contracts for all contract months combined; for palladium, 450 contracts for the 1<sup>st</sup> contract month (expiry month), 600 contracts for the same contract month (month before expiry month), 1,200 contracts for the 2<sup>nd</sup> contract month, and 9,000 contracts for all contract months combined.</li> <li>The current position limits for positions held by customers are: for silver, 1,500 contracts for the 1<sup>st</sup> contract month and 6,000 contracts for all contract months combined;</li> </ul>
Party Subject to Limit	1 <sup>st</sup> contract month	All contract months combined																		
Trading Participants	1,000 contracts	10,000 contracts																		
Party Subject to Limit	1 <sup>st</sup> contract month		2 <sup>nd</sup> contract month	All contract months combined																
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Party Subject to Limit	1 <sup>st</sup> contract month	All contract months combined																										
Customers	500 contracts	2,000 contracts																										
Commercials, investment trusts and Market Makers	1,000 contracts	10,000 contracts																										
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Item	Description		Notes
		Underlying Commodity      Position per contract month	<ul style="list-style-type: none"> <li>The current (B) criteria are: in excess of 100 contracts for silver, and in excess of 20 contracts for palladium.</li> </ul>
	Silver	At least one contract	
	Palladium	At least one contract	
	✓ Criteria (B): Entrusted by other customers		
	Underlying Commodity	Position per contract month	
	Silver	In excess of 30 contracts	
	Palladium	In excess of 3 contracts	

**III. Effective date (planned)**

- The rules will be applied gradually to contract month transactions starting from the June 2024 contract month (start date: Wednesday, June 28, 2023)
- A schedule for the transition period for contract month transactions is shown in the attached Figure.

Figure

**Contract Month Transition Chart** ○: Current contract unit, ⊙: New contract unit

Period	Contract month: 2023				2024				2025			
	Jun.	Aug.	Oct.	Dec.	Feb.	Apr.	Jun.	Aug.	Oct.	Dec.	Feb.	Apr.
- 2023/6/27	○	○	○	○	○	○						
2023/6/28 - 2023/8/28		○	○	○	○	○	⊙					
2023/8/29 - 2023/10/26			○	○	○	○	⊙	⊙				
2023/10/27 - 2023/12/25				○	○	○	⊙	⊙	⊙			
2023/12/26 - 2024/2/26					○	○	⊙	⊙	⊙	⊙		
2024/2/27 - 2024/4/24						○	⊙	⊙	⊙	⊙	⊙	
2024/4/25 -							⊙	⊙	⊙	⊙	⊙	⊙

Appendix

**Calendar spread combinations and numbers of series for strategy trading during the transition period**

Term	Combinations of current contract units	Combinations of new contract units	Total
2023/6/28 - 2023/8/28	10 series (1st - 2nd contract month, 1st - 3rd contract month, 1st - 4th contract month, 2nd - 3rd contract month, 2nd - 4th contract month, 2nd - 5th contract month, 3rd - 4th contract month, 3rd - 5th contract month, 4th - 5th contract month)	Not available	10 series
2023/8/29 - 2023/10/26	6 series (1st - 2nd contract month, 1st - 3rd contract month, 1st - 4th contract month, 2nd - 3rd contract month, 2nd - 4th contract month, 3rd - 4th contract month)	1 series (5th - 6th contract month)	7 series
2023/10/27 - 2023/12/25	3 series (1st - 2nd contract month, 1st - 3rd contract month, 2nd - 3rd contract month)	3 series (4th - 5th contract month, 4th - 6th contract month, 5th - 6th contract month)	6 series
2023/12/26 - 2024/2/26	1 series (1st - 2nd contract month)	6 series (3rd - 4th contract month, 3rd - 5th contract month, 3rd - 6th contract month, 4th - 5th contract month, 4th - 6th contract month, 5th - 6th contract month)	7 series
2024/2/27 - 2024/4/24	Not available	10 series (2nd - 3rd contract month, 2nd - 4th contract month, 2nd - 5th contract month, 2nd - 6th contract month, 3rd - 4th contract month, 3rd - 5th contract month, 3rd - 6th contract month, 4th - 5th contract month, 4th - 6th contract month, 5th - 6th contract month)	10 series