

Summary of Public Comments on "Reform of Cash-Settled Rolling Spot Futures on Precious Metals" and Responses from OSE

September 24, 2025

Osaka Exchange, Inc.

Osaka Exchange, Inc. (OSE) published an outline of "Reform of Cash-Settled Rolling Spot Futures on Precious Metals" on June 30, 2025, and sought public comments on it until July 30, 2025. We would like to thank everyone who submitted comments for their valuable input on this matter.

The following is a summary of the main comments received and OSE's responses.

No.	Summary of Comment	OSE's Response
1	<ul style="list-style-type: none">I do not agree with upcoming suspension of the rolling spot futures contract because I have been attracted to its design, which allows for semi-permanent trading and lets investors settle at a time of their choosing, and I have been trading based on these features.	<ul style="list-style-type: none">Despite the fact that Cash-settled Rolling-Spot Futures are supposed to be linked to the price of gold bullion or platinum bullion, there has recently been a large discrepancy between the market price and the theoretical spot price calculated based on the price of standard futures. This situation has persisted, making it difficult to effectively conduct arbitrage trading with the standard physically delivered futures. As a result, some arbitrage traders who provided liquidity have withdrawn from the market, and some Commodity Futures Business Operators have also refrained from accepting new orders, leading to a significant decrease in liquidity. If the trading of Cash-settled Rolling-Spot Futures were to continue under these circumstances, there is a high likelihood that prices would become highly volatile, significantly impacting investors. Therefore, we have decided to suspend the trading of Cash-settled Rolling-Spot Futures as it is deemed undesirable to continue from the perspective of investor protection. Therefore, we would appreciate your understanding of the above.

2	<ul style="list-style-type: none"> From now on, when a new product with no maturity, or perpetual products, are listed, I would like to request that it be made mandatory to clearly and emphatically explain to investors that the product shall be subject to the risks of regulatory changes or discontinuation in the future. I would like to request consideration of some relief measures for investors significantly affected by this suspension or discontinuation, such as partial compensation for investment losses or a fee waiver. 	<ul style="list-style-type: none"> We appreciate your comment, and it will be noted in our future product planning. In order to mitigate the impact that this suspension may have on investors, we issued public alerts on December 3, 2024 (Tuesday) and February 18, 2025 (Tuesday), approximately two years prior to the scheduled suspension. Subsequently, we formally announced the suspension of trading for the Cash-settled Rolling-Spot Futures, approximately a year and a half before the scheduled suspension date, ensuring ample time for investors to adjust their strategies. We do not plan to offer any relief measures with this product reform. Therefore, we ask investors to manage the impact of the suspension by either closing their outstanding positions through offsetting transactions within the designated period or allowing them to be automatically settled at the final settlement price on the final settlement date. Investors should make this decision based on their own assessment of market trends. Please note that investors do not have to pay the trading fees to OSE nor the clearing fees to the Japan Securities Clearing Corporation (JSCC) if they choose not to offset transactions and allow automatic settlement on the final settlement date.
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3	<ul style="list-style-type: none"> I would like to request the introduction of the “Funding Rate” mechanism into the existing rolling spot futures. Funding Rates are periodic payments exchanged between holders of long and short positions, based on the balance difference between these two positions. Adding a similar mechanism to existing rolling spot futures would help participants clearly see their holding costs. It is also expected to boost sellers' incentives, which should improve market liquidity. The main attraction of the current rolling spot futures is its endless design without a set maturity date. I hope this feature will continue to be offered in the future. 	<ul style="list-style-type: none"> We have carefully considered a similar mechanism to what you proposed. However, given the ongoing large discrepancies between the market price and the theoretical spot price, we have decided to reform the existing Cash-settled Rolling-Spot Futures into a new product with a final trading day in order to fundamentally address these discrepancies. The reasons are: <ul style="list-style-type: none"> - Adding this mechanism now, after the large discrepancy has continued, would do little to reduce it. - Moreover, if the mechanism is implemented, system adaptation costs would limit the number of brokers who can handle Cash-settled Rolling-Spot Futures, making it difficult to continue transactions. We appreciate your comment, and it will be noted in our future product planning.
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4	<ul style="list-style-type: none"> For determining the final settlement price of the current rolling spot futures specifically on December 23, 2026, the VWAP from the daytime session should be used as the settlement price. This is because the second nearest contract in physically delivered futures often lacks liquidity, which could lead to manipulation of the final settlement price in the market, making it inappropriate. I would like to request that, when deciding to suspend or discontinue a product, a method be adopted to establish a consistent settlement price that minimizes sudden changes or fluctuations. This could include considering the average price or the offer/bid prices over a specific period. 	<ul style="list-style-type: none"> Since the theoretical spot price is currently used as the daily settlement price for Cash-settled Rolling-Spot Futures, we will apply the same practice to minimize the impact on investors as we believe that changing the calculation method solely for the final settlement price on the final settlement date could lead to confusion. We will notify market participants ahead of December 23, 2026, to improve the liquidity of the second nearest month.
5	<ul style="list-style-type: none"> The new product and Mini Futures both have a last trading day, and both are similar in size. How are the functions differentiated between the new product and Mini Futures? 	<ul style="list-style-type: none"> Mini Futures have six contract months, whereas the new product essentially has just one contract month. As a result, trading for the new product is concentrated in that month, and positions can be held for about a year, subject to further rollover of the outstanding positions. For investors looking to trade in highly liquid months, the new product requires fewer rollovers than Mini Futures, which need rollovers every two months. This makes it more accessible for those who are new to futures trading.

6	<ul style="list-style-type: none"> • In order to boost arbitrage trading, I would like to request the establishment of a new inter-product spread between the new gold futures and Gold Mini Futures. • I think the primary reason for the decline in liquidity for near-term and mid-term precious metals futures is the suspension of a bait function.* To enhance liquidity, it should be reinstated. *Note from OSE: The bait function (or implied function) is designed to enhance the liquidity of strategy trading (such as spread trading) and contract month trading. It refers to features such as creating implied orders, which are outright contract month orders derived from orders placed in the strategy/spread market. • For example, if an inter-product spread between gold futures and platinum futures can be established, I would like it to allow limit orders at any ratio, such as 1:3, on an all-or-none basis. This approach would facilitate spread trading between different contracts, even when the price difference is significant. • Furthermore, I would like it to be possible to place limit orders on an all-or-none basis at a ratio of 1:10 for spreads between Gold Standard Futures and Gold Mini Futures or between Gold Standard Futures and Gold Rolling Spot Futures (or the new gold futures). • Implementing these measures is likely to boost the precious metals market. 	<ul style="list-style-type: none"> • We appreciate your comment, which will be noted in our future product planning. • Additionally, to improve liquidity in the precious metals futures market, we are considering measures like updating systems for better price formation and introducing a market maker system.
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Comments No. 1 to No. 6 are all from individuals.