

**Summary of Public Comments and Responses related to “Developing Rules in Connection with the Integration of Derivatives Markets”**

Items	Summary of Opinion	OSE Response
Type of Options on JGB Futures	<ul style="list-style-type: none"> <li>On the grounds that there seems to be no investor demand for American options and that there is no actual demand from market users at present, we expect OSE to consider changing the current American options to European options, or adding European options to the current contracts.  (Company)</li> </ul>	<ul style="list-style-type: none"> <li>In general, options on bond futures in major foreign countries are American, and we have not received specific requests to change the type of options since 1990 when the options on JGB futures market was launched in Japan. Further, considering the impact on the market and systems of participants, OSE thinks that such a change requires careful deliberation. Therefore, OSE will continue to offer American options after the integration of derivatives markets.</li> </ul>
Omission of Classification of “new sale/purchase or resale/repurchase” in Order Tickets	<ul style="list-style-type: none"> <li>We welcome the omission of classification of “new sale/purchase or resale/repurchase” in order tickets.  (Securities Company)</li> </ul>	<ul style="list-style-type: none"> <li>OSE will allow the omission of descriptions regarding classifications of new sale/purchase or resale/repurchase in order tickets when placing orders on proprietary accounts in addition to those for customer accounts. OSE appreciates your support.</li> </ul>
Abolition of Executable Price Range in Closing Auction, etc.	<ul style="list-style-type: none"> <li>We ask to change the rules in order to ensure execution in a closing auction to meet needs for trades at the closing price.  (Foreign Investor)</li> <li>We request the abolition of the executable price range in closing auction, which may prevent trades from being executed at the end of closing auction when there is a sudden price fluctuation. Market participants have significant exposure against the settlement price because of customer’s creation, redemption, and rebalancing, etc. of ETFs. If this is difficult, we hope to have a Trade at Settlement (TAS) scheme or introduction of function which enables the executable price range in closing auction to be expanded. (Foreign Investor)</li> </ul>	<ul style="list-style-type: none"> <li>The executable price range in closing auction is designed to prevent trades from executing in cases where the price determined in a closing auction exceeds the defined price range (the executable price range in closing auction) from the last contract price in light of price continuity. In addition, there are also difficulties in expanding said price range based on the day’s volatility. Considering these points, there will be no change to the current rules.</li> <li>The comments on the establishment of a TAS scheme will be a subject for reference for future discussions.</li> </ul>

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Pre-trade Risk Management	<ul style="list-style-type: none"> <li>We hope to see the introduction of a “Pre-trade risk management” scheme. (Securities Company)</li> </ul>	<ul style="list-style-type: none"> <li>➤ OSE will refer to this comment in future discussions.</li> </ul>
Prohibition of Order Cancellations Prior to Call Auctions	<ul style="list-style-type: none"> <li>We request to alter the current rules to clearer ones, for instance, which prohibit all of order cancellations two minutes prior to call auctions as adopted at other exchanges. (Securities Company)</li> <li>We ask that participants who deliberately cancel their market orders at the last minute prior to call auctions on futures contracts are subject to detailed investigation. We propose to release the ID of participants that attempt to manipulate the market. Also, it may help to randomly enforce a millisecond order-delay in the exchange engine for the purpose of combating such irregular trades. (Foreign Investors)</li> </ul>	<ul style="list-style-type: none"> <li>➤ OSE will refer to these comments in future discussions.</li> </ul>
Timely Reporting of Off-exchange Trading	<ul style="list-style-type: none"> <li>From the perspective of increasing transparency, off-exchange trading should be reported within 15 minutes after mutual agreement. (Foreign Investor)</li> </ul>	<ul style="list-style-type: none"> <li>➤ OSE will refer to this comment in future discussions.</li> </ul>
Market Maker Scheme	<ul style="list-style-type: none"> <li>We request that current TSE and OSE market maker scheme which are different each other be unified to the TSE scheme where incentives from the exchange are directly passed on to the market maker without going through participants and which does not have a specified window for becoming a market maker. (Securities Company)</li> </ul>	<ul style="list-style-type: none"> <li>➤ OSE will modify the Market Maker Scheme in a way close to that provided in the comment.</li> </ul>