

Futures & Options Trading Rules after Derivatives Markets Integration

The derivatives markets of Osaka Securities Exchange (OSE) and Tokyo Stock Exchange (TSE) will be integrated into the single market effective March 24, 2014 where both legacy TSE derivative products and OSE derivative products will be traded on J-GATE platform under OSE's rules and regulations. On the same day, Osaka Securities Exchange Co., Ltd. will change its corporate name to "Osaka Exchange, Inc.".

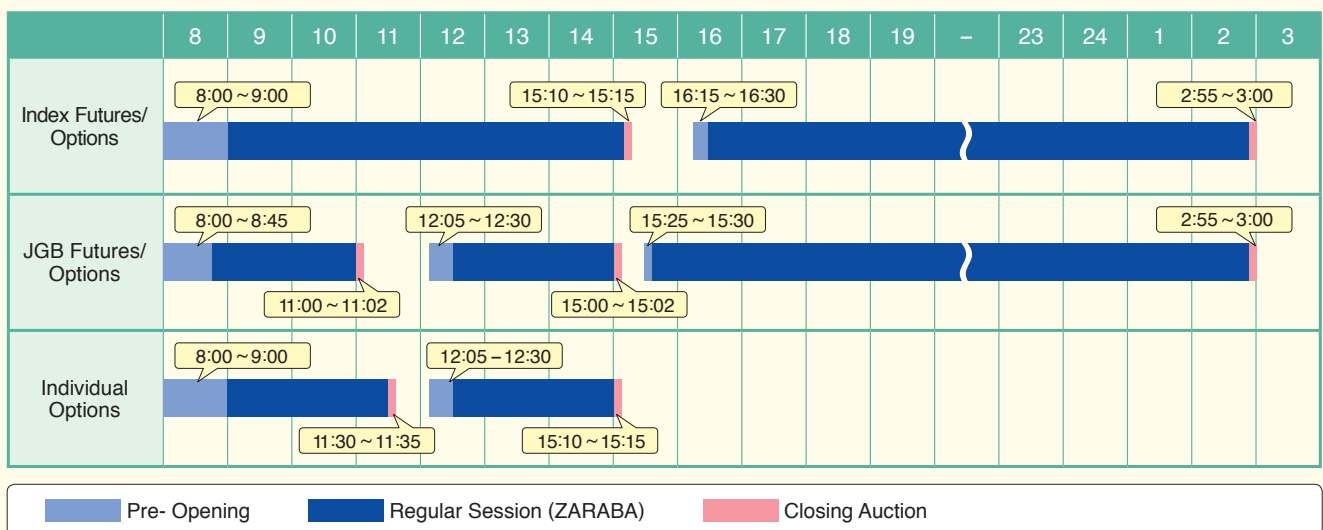
1 Products

The following products will be available for trade from the date of integration.

Futures				Options	
Equity Index	Nikkei 225 Futures (Large/mini)	Other Index	Nikkei 225 VI Futures	Equity Index	Nikkei 225 Options
	TOPIX Futures (Large/mini)		Nikkei 225 Dividend Index Futures		TOPIX Options
	TOPIX Core30 Futures		TOPIX Dividend Index Futures	JGB	Options on 10-year JGB Futures
	TSE REIT Index Futures		TOPIX Core30 Dividend Index Futures		Equity
	RN Prime Index Futures		JGB	JGB Futures (5-year/ 10-year/ 20-year*)	
	TOPIX Banks Index Futures			*20-year JGB is scheduled for April 7	mini10year JGB Futures
Foreign Index	DJIA Futures				
	CNX Nifty Futures				

2 Trading Hours

Trading hours are as follows:



*Following the current rules, there will be no Night Session for Nikkei 225 VI Futures.

Remarks

- Current OSE trading hours for index futures and options will be applied to TSE-listed index futures and options products, where a recess between morning and afternoon sessions will be abolished. Also, the Night Session trading hours will be extended to 16:30 JST ~ 3:00 JST the next day.

3 Matching Rules

(1) Determining Contract Price by Uncrossing Method

The matching rules for the Uncrossing method will be as follows:

Priority of the Uncrossing Method	
Condition 1	The price where bids and offers match, of which there are limit orders on either buy side or sell side.
Condition 2	In the case where there are several prices that meet Condition 1, the price that maximizes the traded volume
Condition 3	In the case there are several prices that meet Condition 2, the price that minimizes the difference between the cumulative volume of sell orders and the cumulative volume of buy orders (hereinafter called "surplus volume")
Condition 4	In the case there are several prices that meet Condition 3, the either price of the following: (1) In the case where the cumulative sell volume is larger than the cumulative buy volume at all such prices, the lowest price; (2) In the case where the cumulative buy volume is larger than the cumulative sell volume at all such prices, the highest price; or (3) Otherwise, the price in Condition 5
Condition 5	Either of the following prices: (1) In the case where the highest price of the prices that minimizes the surplus volume (limited to the lowest price among the prices where the surplus volume becomes selling on balance and the highest price among the prices where the surplus volume becomes buying on balance, when the prices of selling on balance and buying on balance are included in the prices where the surplus volume is minimum; the same shall apply hereinafter), the highest price; (2) In the case there is a Reference Price between the lowest price and the highest price of the prices that minimizes the surplus volume, the Reference Price; or (3) In the case where the lowest price of the prices that minimizes the surplus volume is higher than a Reference Price, the lowest price.

Reference Price shall be determined as follows: (1) the last traded price on the trading day; (2) in case there is no price described in (1), the standard price of bids and offers on the trading day.

Remarks

- Market Orders may be placed during pre-opening/pre-closing sessions as well as a regular session; however, it does not guarantee all orders to be executed.
- Market Orders that are not executed by the Uncrossing method will become invalid.
- Regardless of whether a transaction by the Uncrossing method is made or not, a trading session moves to Zaraba after the time to conduct the Uncrossing passes (excluding at the session end).
- Orders will be executed immediately by the Uncrossing method even if the price is far deviated from the base price as long as the matching will be conducted within the daily price limits.

(2) Uncrossing for Closing Auction

Closing Auction will not be proceeded if the matching price does not fall within the Closing Price Executable Price Range* from the reference price of the Immediately Executable Price Range.

* Closing Price Executable Price Range will have the same price range as to that of Immediately Executable Price Range.

4 Immediately Executable Price Range (Dynamic Circuit Breaker)

From the viewpoint of preventing sudden price fluctuations due to erroneous orders, temporary trading halts will take place when orders are placed that have potential to match beyond the immediately executable price range after partial execution within the immediately executable price range.

Futures				
	Products	Reference Price	DCB Price Range	Suspend Time
Equity Index	Nikkei 225 Futures (Large/mini)	Last traded price	± 0.8%	30 sec
	TOPIX Futures (Large/mini)			
	TOPIX Core30 Futures			
	TSE REIT Index Futures			
	TOPIX Banks Index Futures			
	RN Prime Index Futures			
Foreign Index	DJIA Futures	Mid-price of BBO*	± 1%	
	CNX Nifty Futures		± 0.5pt	
Other Index	Nikkei 225 VI Futures	Mid-price of BBO*	± JPY10	
	Nikkei 225 Dividend Index Futures		± 1pt	
	TOPIX Dividend Index Futures			
	TOPIX Core30 Dividend Index Futures			
JGB	JGB Futures (5-year/ 10-year)	Last traded price	± JPY0.10	
	mini-10year JGB Futures	Mid-price of BBO*	± JPY0.30	
	JGB Futures (20-year)			

Options				
Products		Reference Price	DCB Price Range	Suspend Time
Equity Index	Nikkei 225 Options	Last traded price	± 10tick	15 sec
	TOPIX Options	Mid-price of BBO*		
JGB	Options on 10-year JGB Futures		± JPY 0.10	30 sec
Equity	Individual Options		Table below	

* Mid-price of BBO refers to either the last traded price or the mid-price of the last best bid price and the last best offer price.

DCB Range for Individual Options					
Base Price of Underlying		DCB Range	Base Price of Underlying		DCB Range
	Less than JPY 500	± JPY 10	JPY 30,000 or more	Less than JPY 50,000	± JPY 1,000
JPY 500	Less than JPY 1,000	± JPY 20	JPY 50,000 or more	Less than JPY 100,000	± JPY 2,000
JPY 1,000 or more	Less than JPY 3,000	± JPY 50	JPY 100,000 or more	Less than JPY 300,000	± JPY 5,000
JPY 3,000 or more	Less than JPY 5,000	± JPY 100	JPY 300,000 or more	Less than JPY 500,000	± JPY 10,000
JPY 5,000 or more	Less than JPY 10,000	± JPY 200	JPY 500,000 or more		± JPY 20,000
JPY 10,000 or more	Less than JPY 30,000	± JPY 500			

Remarks

· The market halt will continue when the matching price at reopen is beyond the pre-set range from the reference price.

5 Daily Price Limit

The Daily Price Limit for futures and options are as follows:

Futures		
Products		Price Limits
Equity Index	Nikkei 225 Futures (Large/mini)	Standard: ± 8% of DPL calculation reference price 1st expansion: ± 12% of DPL calculation reference price Max: ± 16% of DPL calculation reference price
	TOPIX Futures (Large/mini)	
	TOPIX Core30 Futures	
	TSE REIT Index Futures	
	RN Prime Index Futures	
	TOPIX Banks Index Futures	
Foreign Index	DJIA Futures	Standard: ± 7% of DPL calculation reference price 1st expansion: ± 13% of DPL calculation reference price Max: ± 20% of DPL calculation reference price
	CNX Nifty Futures	Standard: ± 10% of DPL calculation reference price 1st expansion: ± 15% of DPL calculation reference price Max: ± 20% of DPL calculation reference price
Other Index	Nikkei 225 VI Futures	Standard: ± 10pt / Expanded by ± 5pt at a time
	Nikkei 225 Dividend Index Futures	Standard: ± JPY 50 / Expanded by ± JPY 25 at a time
	TOPIX Dividend Index Futures	Standard: ± 5pt / Expanded by ± 2.5pt at a time
	TOPIX Core30 Dividend Index Futures	
JGB	JGB Futures (5-year/ 10-year)	Standard: ± JPY 2.00 / Max: ± JPY 3.00
	mini-10year JGB Futures	
	JGB Futures (20-year)	Standard: ± JPY 6.00 / Max: ± JPY 9.00

Options		
Products		Daily Price Limit
Equity Index	Nikkei 225 Options	Standard: ± 11% of DPL calculation reference price 1st expansion: ± 14% of DPL calculation reference price Max: ± 17% of DPL calculation reference price
	TOPIX Options	
JGB	Options on 10-year JGB Futures	Standard: ± JPY 2.10 / Max: ± JPY 3.00
Equity	Individual Options	± 25% of the base price of DPL for underlying securities

DPL calculation reference price

- Reviewed quarterly in March, June, September, and December for Equity Index Futures and Options.
- Reviewed quarterly in January, April, July, and October for Foreign Index Futures (DJIA Futures and CNX Nifty Futures).

6 Circuit Breaker

The criteria to trigger Circuit Breaker will be as follows:

Conditions for CB Trigger	Both 1. and 2. below apply with respect to the central contract month of future contracts: 1. A buy (sell) order for the central contract month is placed (or executed) at the upper (lower) price limit. 2. There is no trade execution at a price beyond a certain range* closer to the base price from the upper (lower) price limit for the next 1 min. * Index Futures – 10% of the regular DPL / JGB Futures – DCB price range
Contracts (Issues) Subject to Trading Halt	1. All future contract months which have the same underlying index (including mini contracts) 2. All option contracts which have the same underlying index 3. The strategy trades related to 1. and 2. 4. J-NET trading of 1. and 2.
Conditions for Exception of Application	1. 14:50~15:10 for Index Futures 2. 14:40~15:00 for JGB Futures 3. 2:35~2:55 for Index Futures & JGB Futures 4. In case where the same criteria are met after the daily price limit has already been expanded to its maximum level. *CB will not be activated even if the criteria are met during the period referred to in 1 to 3 above, and the latest DPL range will continue to be used for the uncrossing at the closing auction.
Beginning of Trading Halt	The time that OSE determines on each occasion immediately after the criteria for CB trigger are met
Duration for Trading Halt	10 minutes
Method for Resumption	After the duration for a trading halt, trading will be resumed by the Uncrossing method with the price limit expanded.
Reference Price	Renewed on a trading day basis

Remarks

- At the reopen after CB, all trades within the daily price limit will be executed immediately.
- Price limits will be expanded during the trading halt. Orders that are out from the range of the pre-expanded price limit range will be invalid if those were entered prior to expansion.

7 Order Types and Order Modifiers

(1) Order Types

Following Order Types are available:

Order Type	Details
1. Limit Orders	An order that is executed at the price specified or better.
2. Market Order	An order that does not specify any price and is executed at the current best prices for the amount exist on the opposite side of the order book.
3. Market to Limit Order	In case when there is the best price on the opposite side of the order book, this order will be converted to that price. If not, this order will be converted to the price that is 1 tick better than the current best price on the same side of the order book.
4. Stop Order	When the market price matches the pre-designated conditions specified at the order submission, this order will be registered on the order book according to the condition.

Remarks

- Market Orders will be accepted during pre-opening/pre-closing; however, it does not guarantee full execution.
- Market to Limit Order will only be accepted during regular session (ZARABA).
- Stop Order is not supported on strategy trading.

(2) Order Modifiers

One of the following modifiers must be assigned to any order:

Modifier	Details	
Execution Volume	Fill and Store (FAS)	In the case where there is unfilled volume after the order is partially executed, make the unfilled volume valid.
	Fill and Kill (FAK)	The remained volume that didn't get executed is immediately pulled from the order book.
	Fill or Kill (FOK)	The system checks whether the entire volume of the order can be executed at the order submission. If not, the order is rejected.

The following expiration conditions must be specified for FAS orders:

Expiration	Good for Day (GFD)	Valid until the end of the day session of the day (or until the end of the night session if ordered during a night session).
	Good till Date (GTD)	Valid until the end of the day session of the specified date.
	Good till Cancel (GTC)	Valid until the order is canceled.

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Contacts:



Osaka Securities Exchange Co., Ltd.
E-mail ▶ webmaster@jpx.co.jp