

Overview of Opinions on the “Discussion Paper Regarding the Extension of Trading Hours”
- Summary -

November 24, 2010
Tokyo Stock Exchange, Inc.

Tokyo Stock Exchange (hereinafter “TSE”) released a “Discussion Paper Regarding the Extension of Trading Hours” (hereinafter “discussion paper”) on July 26, 2010 to seek a wide variety of opinions. TSE received 128 responses, with 88 responses from individuals, 27 from securities companies, 5 from trust banks, 5 from asset management/investment advisory companies (hereafter “asset managers”), and 3 from other financial institutions or groups (hereafter “others”).

1. Abolishment or Shortening of Noon Recess

Opinions on this topic accounted for more than three quarters (3/4) of all responses, out of the measures presented in the discussion paper, which means that this measure garnered the most interest from market-related parties.

With regard to the abolishment of the noon recess, positive comments made up about 20% of all comments, while negative comments accounted for about 70%. In addition, out of responses which included negative comments on the abolishment of the noon recess, positive and negative comments on the shortening of the noon recess were well-balanced.

[Positive comments]

- It is essential for competition with overseas (markets); trading could flow out to overseas markets (individual)
- We should align with the global standard (individual)
- We can expect demand from individual investors such as salaried employees (corporation)
- We will benefit from increased trading opportunities (corporation)

[Negative comments]

- It should not simply be about aligning ourselves with the global standard (individual)
- Trading volumes have not increased in Korea where they have abolished the noon recess, and there is more trading in Shanghai, which has a noon recess, than London, which doesn't (individual)
- One appeal (of the TSE market) is “Itayose”, which is not available overseas (individual)
- It's better to have trading concentrated within a short period of time (individual)
- We invest in multiple markets in Asia. Abolishment can only be unfavorable. (corporation)
- Increased staffing and system costs for adaptation (corporation)
- Loss of “Itayose” opportunities; trading will not increase (both corporations and individuals)

(Reference Translation)

- (The break is) Useful for market trend analysis and communications with customers (corporation)
- (Demand for) Market practices such as basket trading (corporation)

[Comments with specific conditions]

- Wouldn't it be fine to just allow trading at a fixed price during the noon recess? (individual)
- Even if the noon recess is abolished, there should still be "Itayose" opportunities (individual)

[Other comments]

- There are both supporting and opposing opinions in the company (corporation)
- We need to consider this more carefully and adequate information should be provided (corporation)
- If (the noon recess is) abolished, TSE should publish prices which are equivalent to the current closing prices for the morning session (corporation)

2. Introduction of Night-Hour Trading for the Cash Equities Market

Responses which included comments on the introduction of night-hour trading for the cash equities market made up slightly more than one-third (1/3) of all responses. In particular, responses from individuals accounted for about 20%. In comparison with the abolishment or shortening of the noon recess, this measure is not necessarily a topic of keen interest among market-related parties.

With regard to the introduction of night-hour trading for the cash equities market, positive and negative comments are well-balanced amongst individuals, while comments from corporations/groups were dominated by negative comments. In addition, there were more negative comments than positive comments from corporations/groups on the topic of moving down the closing of the afternoon auction session.

[Positive comments]

- Easy participation for European and US investors (individual and corporation)
- Participation by individual investors such as salaried employees (individual and corporation)
- Increased investment opportunities (individual and corporation)
- Able to respond to economic indicators and financial results, etc. which are announced in the evening or later (individual and corporation)

[Negative comments]

- Unable to secure liquidity / does not lead to increase (in trading) (individual and corporation)
- [Night-hour trading will] Give rise to problems in price formation (corporation)

- (Benefits) Do not measure up to staffing and system costs for adaptation (individual and corporation)
- There is a limit to how long a person can continue monitoring trading conditions (individual and corporation)
- Unfair to participants who cannot participate in trading (corporation)
- There are no precedents even overseas (corporation)
- [Extending the afternoon session will] Affect investment trust related operations (corporation)

[Comments with specific conditions]

- While we are in favor, we also understand that there will be costs incurred (individual)
- Introduce this for only approximately 100 main stocks and ETFs (individual)
- I will not oppose if this is implemented to coincide with OSE's futures trading hours (individual)

[Other comments]

- Depends on liquidity (corporation)
- We will not provide services during these hours even if this is introduced. This will not lead to increased convenience for our customers. (corporation)
- We need to closely examine the costs against the benefits (corporation)
- Depends on consensus in market users (corporation)
- We need to consider this more carefully and adequate information should be provided (corporation)

3. Extension of the Evening Session Hours for the Derivatives Market

Responses which included comments on the extension of trading hours for the evening session for the derivatives market accounted for approximately 15% of all responses. This measure seems to be not necessarily a topic of keen interest among market-related parties. While the content of the responses are not particularly positive, there were comments that increased trading opportunities is favorable.

[Positive comments]

- Able to respond to market moves in Europe and US (individual and corporation)
- At SGX and CME, depending on the securities company, services are not available (individual)
- Increased trading opportunities (corporation)
- Rational to align with OSE (corporation)

[Negative comments]

- Doubts on increased liquidity (corporation)
- (Already) tradable at NYSE Liffe (corporation)

- Staffing and system costs (corporation)

[Comments with specific conditions]

- While there are doubts about the benefits, since it will have limited effect, we can give it a try (individual)

[Other comments]

- Align trading hours with cash market (individual)
- We need to consider this more carefully and adequate information should be provided (corporation)
- We should deliberate on this in light of (trading) conditions after the launch of the new system (Tdex+ system) (corporation)

4. Moving Up the Opening of the Morning Auction Session

Responses which included comments on moving up the opening of the morning auction session accounted for about a quarter (1/4) of all responses. As such, this measure does not seem to be necessarily of keen interest amongst market-related parties. The responses contained numerous comments that the rationale to moving up the opening of the morning auction session could not be understood.

[Comments for]

- Because the trading hours are comparatively shorter than those of other markets around the world (corporation)
- Increased trading opportunities (individual)

[Comments against]

- It'll only make the morning really busy (individual and corporation)
- There will be less time to prepare for trading in the morning (individual and corporation)
- It will not lead to increased liquidity (individual and corporation)
- It is meaningless / There are no benefits (individual and corporation)
- Even overseas markets don't open so early (corporation)
- Amongst major countries, trading begins earliest in Japan. As such it is meaningless to start even earlier. (corporation)
- If there is a system malfunction, etc. in the early morning, it will be hard to recover before the start of the trading. (corporation)
- Large risk involved in changing the time for matching orders in the morning due to high trading volume (during that time) (corporation)
- Staffing, etc. costs (corporation)
- We need to review current system/frameworks (corporation)
- Concern over artificial price formation (corporation)

(Reference Translation)

[Comments with specific conditions]

- As long as (we) do not feel much difference from current trading styles. (individual)

[Other comments]

- We need to consider this more carefully and adequate information should be provided (individual and corporation)

Note:

- The above responses are listed in no particular order.
- In the case of multiple responses from a single respondent, the second and subsequent responses are deemed invalid. Responses received from persons with clearly fictitious individual information are also deemed invalid.
- Normally, when publishing opinions which were received, individual corporation/group names, etc. are, as a general rule, indicated (responses from individuals are indicated by “individual”). Unlike other instances of seeking public comments, which are conducted to when determining measures, this time TSE widely sought opinions on the major points of discussion related to the extension of trading hours. In light of this situation, individual names are not indicated for responses from corporations/groups, but are instead indicated by “corporation/group”.
- For detailed responses, please refer to “Overview of Opinions on the ‘Discussion Paper Regarding the Extension of Trading Hours’”.