

## Partial Revision of Trading Hours

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Tokyo Stock Exchange, Inc.

### I Purpose

Regarding the extension of the trading hours of the Tokyo Stock Exchange (TSE), there are comments citing the benefits of increased trading opportunities from the perspective of market user convenience. Meanwhile, there are also opinions that, depending on how trading hours are extended, current market practices, etc. would have to be greatly altered, thus increasing costs overall and possibly decreasing efficiency. TSE believes that this should be pursued while maintaining an awareness of market users' opinions and comparing the costs and needs of the market overall. Based on this policy, TSE published a "Discussion Paper regarding the Extension of Trading Hours" on July 26, 2010 to gather a wide variety of opinions from domestic as well as overseas related parties including investors by soliciting public comments until September 10.

Responses to this have revealed requests to consider extending trading hours for both the cash and derivatives markets, since, first and foremost, from the perspective of a securities market, the trading hours of the Japanese market are relatively shorter than those of other countries. As the market operator, from the perspective of increasing trading opportunities for a wide variety of investor classes, TSE thinks that, in general, we should positively consider extending trading hours.

However, it is currently difficult to extend trading hours in such manners as changing the times for the opening of the morning session or closing of the afternoon session, or establishing a night-hour session separate from the current morning and afternoon sessions, due to the far-reaching and significant effects of such changes. As such, TSE considers it appropriate to implement some measures with regard to the break (noon recess) between the morning and afternoon sessions. In the current circumstances, there is extremely high demand for trading executions by the "Itayose" method at the closing of the morning session and the opening of the afternoon session, and also basket transactions during the period of the noon recess. In light of this demand, TSE will not completely abolish the noon recess, but will extend trading hours by shortening the noon recess while maintaining the framework of current operations to a certain extent.

Specifically, in consideration of the balance between the trading hours of the morning and afternoon sessions for the auction market for cash products, in order to enable trading in response to moves in other Asian markets, TSE will make necessary revisions, such as changing the closing of the morning session from the current 11:00 am to 11:30 am. TSE will also make necessary revisions with regard to the derivatives market, such as changing the closing of the morning session for index futures and options trading to coincide with that of cash products at 11:30 am, and also changing the opening of the afternoon session from the current 12:30 pm to 11:45 am, in consideration of the fact that other Japanese equity index futures contracts are already being traded during the period of the noon recess in Japan.

Furthermore, TSE will continue to examine ways to extend trading hours, while paying sufficient attention to the needs, cost for adaptation, market practices, etc. of market users, so as to contribute to increasing convenience for market users.

## II Outline

Items	Contents	Remarks
1. Partial revision of trading hours for cash market	<ul style="list-style-type: none"> <li>• With regard to the trading hours for the auction market for cash products (excluding those which do not have morning sessions), the morning session will be 9:00 am – <u>11:30 am</u>.</li> <li>• With regard to the closing price trades of cash products in the ToSTNeT market, the trading hours for trades based on the closing price of the morning session and trades based on the volume weighted average price (hereinafter “VWAP”) of the morning session will be <u>11:30 am</u> – 12:15 pm.</li> <li>• With regard to single stock trades of cash products in the ToSTNeT market, the trading hours for morning session VWAP guarantee trades and morning session VWAP target trades will be <u>11:30 am</u> – 12:30 pm.</li> </ul>	<ul style="list-style-type: none"> <li>• The current trading hours are 9:00 am – 11:00 am.</li> <li>• The current trading hours are 11:00 am – 12:15 pm.</li> <li>• The current trading hours are 11:00 am – 12:30 pm.</li> </ul>
2. Partial revision of trading hours for derivatives market	<ul style="list-style-type: none"> <li>• The trading hours for the auction market for index futures and options trading will be as follows.  Morning session: 9:00 am – <u>11:30 am</u>  Afternoon session: <u>11:45 am</u> – 3:10 pm  Evening session: 4:30 pm – 7:00 pm (no change)</li> <li>• The trading hours for the auction market for individual equity options will be as follows.  Morning session: 9:00 am – <u>11:30 am</u>  Afternoon session: 12:30 pm – 3:10 pm (no change)</li> </ul>	<ul style="list-style-type: none"> <li>• Index futures and options trading refer to index futures trading as well as index options trading.</li> <li>• The starting time for order acceptance for the afternoon sessions for index futures and options trading will be 11:40 am.</li> <li>• The trading hours for index futures and options trading and individual equity options trading in the ToSTNeT market will not be changed.</li> <li>• The noon recess as well as the trading hours of the evening session for JGB futures and options on JGB futures trading will not be changed. In addition, with regard to trading of JGB futures and options on JGB futures, in conjunction with the migration of JGB futures trading to the Tdex+ system, the morning session will begin at 8:45 am.</li> </ul>

(Reference Translation)

### III Implementation Date (Planned)

- These revisions will be implemented in the first half of the fiscal year 2011.