

Revisions associated with Phased Optimization of Tick Size in Auction Trading of Cash Equities at Tokyo Stock Exchange, Inc.

September 25, 2013
Japan Securities Clearing Corporation

Item	Outlines	Remarks
<p>I. Purpose</p> <p>II. Outline of Revisions</p> <p>1. DVP Settlement Price</p> <p>2. Base Price for Selling Offer Price at Buy-In Execution</p>	<ul style="list-style-type: none"> • In the course of phased optimization of tick size in auction trading of cash equities at Tokyo Stock Exchange, Inc. (hereinafter referred to as “TSE”), tick size less than 1 yen will start to apply to some of the listed issues around July 2014. To accommodate such change, JSCC will make necessary revisions, including revisions of DVP Settlement Price setting method and treatment of market price of securities deposited as collateral in lieu of cash. • In the calculation of DVP Settlement Price, the closing price (including the final quote) on the previous business day in the Designated Financial Instruments Market shall be <u>the value obtained by truncating the fraction less than 1 yen.</u> • If no contract price (including final quote) exists in any of the Designated Financial Instruments Market on the previous business day, DVP Settlement Price shall be the standard price on such previous day in the Designated Financial Instruments Market, <u>truncating the fraction less than 1 yen.</u> • The base price for the selling offer price at the time of Buy-in execution shall be the closing price (including the final quote) on the Buy-in execution date in the Designated Financial Instruments Market, <u>truncating the fraction less than 1 yen,</u> in principle. 	<ul style="list-style-type: none"> • The same treatment shall apply to the required Clearing Fund for Securities Clearing Qualification and the delay compensation and delay penalty upon occurrence of a Delivery Failure, which are calculated by using DVP Settlement Price. • When no closing price exists on the Buy-in execution date, or when the Buy-in execution date falls on the day that is two or one business day preceding the record date, etc. for the

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<p>3. Market Value of Securities in lieu of Cash Deposited as Margin and Clearing Deposit</p> <p>4. Other</p> <p>III. Implementation Timing</p>	<ul style="list-style-type: none"> • The market value (Marked-to-Market Value) of stock, etc. deposited with JSCC as securities in lieu of cash for Margin and Clearing Deposit shall be the closing price (or final quote, if applicable) at the Financial Instruments Exchange <u>truncating the fraction less than 1 yen</u>. • As to the option settlement price for Security Option Contracts (price of underlying assets for a judgment of an automatic exercise), the closing price at the Financial Instruments Exchange shall be the closing price of the underlying securities for the option (<u>no truncation of the fraction less than 1 yen</u>). • In the calculation of the settlement price related to Security Option Contracts, the closing price (or final quote, if applicable) at the Financial Instruments Exchange shall be used as a price of the underlying assets for the option (<u>no truncation of the fraction less than 1 yen</u>). • These revisions will be implemented around July 2014. 	<p>issue subject to Buy-in, the price shall be determined by JSCC at each occasion.</p> <p>• To be implemented in line with the implementation timing of the phased optimization of tick size by TSE</p>

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		(Phase II) . • Considering the status of related organizations and Participants, use of the price without truncation of value less than 1 yen as DVP Settlement Price or market value of securities in lieu of cash is to be discussed by the end of 2015.

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