

## Handling of Orders Entrusted by Customers in the Case of Order Cancellation by the TSE

January 27, 2021  
Tokyo Stock Exchange, Inc.

### I. Purpose

The arrowhead cash equity trading system failure on October 1, 2020 revealed not only issues with the system itself but also other issues, such as an absence of rules for handling orders in the event of a system failure. In response to this, TSE established a "Council for Recurrence Prevention Measures" and deliberated with market users on how TSE should develop its rules and regulations. TSE has summarized proposed revisions to the trading rules, as indicated below, to clarify handling, etc. of orders entrusted by customers in cases where the Exchange has no choice but to cancel bids/offers already placed by trading participants due to the impact of a system failure, etc.

Specifically, necessary revisions will be made to clarify that, in the case of cancellation of bids/offers by the Exchange, trading participants in principle should resend orders to the Exchange, and at the same time, clarify that a separate arrangement can be made when necessary, based on the nature of the entrusted orders or operational needs.

### II. Outline

Item	Description	Additional Comments
1. Cancellation of Bids/Offers	- Clarify that the Exchange may cancel bids/offers from trading participants in the case of trading suspension due to a system failure, etc.	- The current rules stipulate that the validity of bids/offers in the case of trading suspension will be "specified on a case-by-case basis".
2. Validity of Entrusted Orders	- Clarify that, in principle, orders entrusted by customers with trading participants will remain	- The current rules stipulate that in principle, entrusted orders will remain valid even after trading

Item	Description	Additional Comments
3. Necessity of Resending Entrusted Orders	<p>valid, even after bids/offers from trading participants have been cancelled by the Exchange.</p> <ul style="list-style-type: none"> <li>- Clarify that, in principle, trading participants should resend orders entrusted by customers, even after bids/offers have been cancelled by the Exchange.</li> <li>- However, clarification will also be made in case an arrangement has been made in advance between the trading participant and its customer or there is instruction by the customer, and the necessity for trading participants to resend entrusted orders will be determined as specified in the prearrangement or instruction.</li> </ul>	<p>suspensions.</p> <ul style="list-style-type: none"> <li>- If provisions on the necessity to resend orders, etc. are included in the terms and conditions of the contract between the trading participant and the customer, then this will apply if an arrangement has already been made in advance.</li> </ul>
4. Others	<ul style="list-style-type: none"> <li>- A verification to assess whether the trading resumption standards have been met will be conducted with all trading participants through persons responsible for securities trading. Trading participants shall respond to the verification.</li> </ul>	

### III. Implementation Date

The above revisions are scheduled to be implemented in April 2021. The implementation date will be determined based on the progress for responses by trading participants among other factors.