

Results of Public Comments in Response to "Proposed Revision to "Contingency Plan with Regard to Trading in the Derivatives Market""

April 21, 2021

Osaka Exchange, Inc.

Tokyo Commodity Exchange, Inc.

Osaka Exchange, Inc. (OSE) and Tokyo Commodity Exchange, Inc. (TOCOM) published "Proposed Revision to "Contingency Plan with Regard to Trading in the Derivatives Market"" on March 5, 2021 and solicited public comments until April 4, 2021. OSE and TOCOM deeply appreciate the cooperation of those who have submitted their comments to deliberate on this issue.

The following is a summary of the comments received and our responses thereto.

Number	Summary of Comments	Responses to the Comments
1	<p>(1) For the following items subject to revision, the proposed revision indicates that " the Exchange will make sufficient considerations to ensure fair price formation after trading resumes". What is this "fair" based on? What can we assume will be considered?</p> <p>[Items in question in the Contingency Plan]</p> <ul style="list-style-type: none"> <li>➤ I. In the event of a failure in the Exchange trading systems, 2. Order Placement Systems</li> <li>➤ V. In the event of a system failure on the side of trading participants</li> <li>➤ VI. In the event of an earthquake, wind/flood damage, terrorist act, failure in social infrastructure including power/telecommunications networks, etc.</li> </ul> <p>(2) We ask the Exchange to make a pre-resumption announcement about which trading participants we can trade with after trading resumes.</p>	<p>(1) The contingency plan indicates the standards for market share of trading value and/or our viewpoint like the number of trading participants that are unable to participate in trading and their attributes, and the nature of each product, etc. as consideration point related to resuming trading. We consider that appropriate and fair price formation will be ensured if trading satisfies these standards. As such, we will carefully examine whether to resume trading based on the standards and policies set out in the contingency plan.</p> <p>(2) The response of each trading participant will vary because a system failure will impact differently due to differences in systems and</p>

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	<p>Investment management companies need to swiftly understand such information in order to ensure best execution.</p> <p>(3) We assume that one of the standards for trading resumption, "generally above 50% of overall trading value", refers to the share based on the past results under normal conditions. Investment management companies have an issue with whether they have a business relationship with a trading participant who can participate when trading resumes. As such, they may need to have business relationships with such a trading participant under normal conditions to ensure best execution at the time of a resumption. From this perspective, we would like the Exchange to continually disclose the ranking of the top trading participants by trading value, which is the calculation basis for said resumption standard.</p> <p>(4) Affiliates of foreign investment management companies place orders on Japanese stocks from Hong Kong or Singapore, so we would like the Exchange to provide the same information in English and Japanese at the same time.</p>	<p>operational flows, and also depend on the attributes of its investors or their forms of trading. Therefore, we think it will not be appropriate to announce such information uniformly. Meanwhile, we will continue to consider the expected form of information provision in relation to system failure to increase market resilience.</p> <p>(3) Though, we currently disclose "Trading Volume by Trading Participant" for key products, we will continue to consider the expected form of information provision in relation to system failure to increase market resilience.</p> <p>[Trading Volume by Trading Participant]  <a href="https://www.jpx.co.jp/english/markets/derivatives/participant-volume/index.html">https://www.jpx.co.jp/english/markets/derivatives/participant-volume/index.html</a></p> <p>(4) We will strive to provide information in both Japanese and English as quickly as possible.</p>
2	<ul style="list-style-type: none"> <li>Description of "When considering whether to resume trading, the Exchange will also take into account above factors. With regard to decisions on resuming trading, the Exchange will make sufficient considerations to ensure fair price formation after trading resumes, and will secure order acceptance time and trading hours of at least 15 minutes</li> </ul>	<ul style="list-style-type: none"> <li>We will revise the description from the viewpoint of clarifying our operation based on your comment.</li> </ul>

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	<p>respectively after trading resumes.” shall be modified as follow from the viewpoint of the fairness between trading participants.</p> <p>→ “When considering whether to resume trading, the Exchange will also take into account above factors. With regard to decisions on resuming trading, the Exchange will make sufficient considerations to ensure fair price formation after trading resumes, and will secure order acceptance time and trading hours of at least 15 minutes respectively after trading resumes, after with issuing a notice on the trading resumption time to trading participants.”</p>	

Comment No. 1 is from BlackRock Japan Co., Ltd.; No. 2 from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.