

Outline of Specifications for TSE Mothers Index Futures

June 24, 2015

Osaka Exchange, Inc.

Items	Contents	Notes												
I. Purpose	<ul style="list-style-type: none"> In light of providing opportunities for various forms of investment, including hedging, in Japanese emerging markets, Osaka Exchange, Inc. (OSE) will introduce futures based on Tokyo Stock Exchange Mothers Index (hereafter "TSE Mothers"), which is a leading domestic emerging companies index. 													
II. Contract Specifications														
1. Underlying Index	<ul style="list-style-type: none"> The underlying index is TSE Mothers. 													
2. Trading														
(1) Trading Sessions and Trading Hours	<ul style="list-style-type: none"> Auction trading will be divided into day and night sessions with the trading hours as follows. <ul style="list-style-type: none"> a. Day session <table> <tr> <td>Opening auction</td> <td>8:45 a.m.</td> </tr> <tr> <td>Regular session</td> <td>From 8:45 a.m. to 3:10 p.m.</td> </tr> <tr> <td>Closing auction</td> <td>3:15 p.m.</td> </tr> </table> b. Night session <table> <tr> <td>Opening auction</td> <td>4:30 p.m.</td> </tr> <tr> <td>Regular session</td> <td>From 4:30 p.m. to 5:25 a.m. the next day</td> </tr> <tr> <td>Closing auction</td> <td>5:30 a.m. the next day</td> </tr> </table> 	Opening auction	8:45 a.m.	Regular session	From 8:45 a.m. to 3:10 p.m.	Closing auction	3:15 p.m.	Opening auction	4:30 p.m.	Regular session	From 4:30 p.m. to 5:25 a.m. the next day	Closing auction	5:30 a.m. the next day	<ul style="list-style-type: none"> Same as other stock index futures (matters that are not described in this document will be same as other stock index futures after implementation of next J-GATE; the same shall apply hereinafter). The non-cancel period, which will be introduced with next J-GATE, will not apply.
Opening auction	8:45 a.m.													
Regular session	From 8:45 a.m. to 3:10 p.m.													
Closing auction	3:15 p.m.													
Opening auction	4:30 p.m.													
Regular session	From 4:30 p.m. to 5:25 a.m. the next day													
Closing auction	5:30 a.m. the next day													
(2) Trading Method	<ul style="list-style-type: none"> Trading will be conducted by individual auction through the trading system. 	<ul style="list-style-type: none"> The trading system will be next J-GATE. 												
3. Contract Months and	<ul style="list-style-type: none"> The 5 nearest consecutive quarterly contract months (March, June, September, 	<ul style="list-style-type: none"> Trading period is up to 15 months. 												

(Reference Translation)

Items	Contents	Notes
Number thereof	<p>December) will be listed, and the last trading day of each contract month will be the business day preceding the 2nd Friday of the corresponding contract month (to be moved up accordingly if it falls on a non-business day).</p> <ul style="list-style-type: none"> • Trading in a new contract month will start from the day session of the business day after the last trading day of the nearest contract month. 	
4. Contract Size and Orders, etc.		
(1) Contract Size	<ul style="list-style-type: none"> • Trading unit will be JPY 1,000 multiplied by the index value of TSE Mothers. 	
(2) Bids and Offers	<ul style="list-style-type: none"> • Market orders and limit orders will be available along with the validity period and execution volume conditions specified by OSE. 	<ul style="list-style-type: none"> • The same rules as for other stock index futures will apply for validity period and execution volume conditions.
(3) Tick Size	<ul style="list-style-type: none"> • Tick size will be 0.5 points. 	<ul style="list-style-type: none"> • The value of 1 tick will be JPY 500.
(4) Price Limits on Bids/Offers	<ul style="list-style-type: none"> • Bids and offers may not be made at prices beyond the price limits on bids/offers defined by OSE. • The range for the price limits on bids/offers will be 8% from the reference price for calculating this price limit range (as a general rule, the settlement price on the previous trading day) (rounded down to the nearest 0.5 points). • The upper or lower price limit range will be expanded when the Circuit Breaker is triggered, and will be obtained by multiplying the reference price for calculating the price limit range by 12% (1st expansion) and 16% (2nd expansion) respectively (rounded down to the nearest 0.5 points). 	<ul style="list-style-type: none"> • In principle, the same rules as for other domestic stock index futures.
5. Suspension of Trading		

(Reference Translation)

Items	Contents	Notes
and Temporary Trading Halts		
(1) Suspension of Trading	<ul style="list-style-type: none"> • OSE may suspend trading in the following situations: <ul style="list-style-type: none"> a. In cases where OSE deems that trading conditions are irregular; b. In cases where OSE deems it inappropriate to continue trading in terms of trading supervision; c. In cases where OSE deems it difficult to continue trading through the trading system due to trading system malfunction, etc. 	<ul style="list-style-type: none"> • Same as other stock index futures.
(2) Temporary Trading Halt (Circuit Breaker)	<ul style="list-style-type: none"> • In the case where a buy (sell) order is placed (or executed) for the central contract month at the upper (lower) daily price limit, and no subsequent trades are executed outside the 10% price limit range from said upper (lower) price limit in the next minute, as a general rule, trading in all contract months will be suspended for at least 10 minutes. • In the case where the Circuit Breaker is triggered, the upper (lower) price of the daily price limit for all contract months will be expanded. 	<ul style="list-style-type: none"> • Same as other stock index futures.
(3) Immediately Executable Price Range (Dynamic Circuit Breaker)	<ul style="list-style-type: none"> • The Dynamic Circuit Breaker (hereinafter "DCB") will apply to each contract month in the regular session as follows. <ul style="list-style-type: none"> a. When a bid or offer that is likely to be executed beyond the price range that is determined by OSE from the DCB reference price (hereinafter "DCB range") is accepted, all matching trades within the DCB range will be executed and trading will be suspended for a certain period. b. If trading has been suspended for a certain period pursuant to a. above and the matching price falls beyond the DCB range from the reference price, trading will not resume, the DCB reference price will be updated to the price within the DCB range that is nearest the matching price, and trading will again be suspended for a certain period. 	<ul style="list-style-type: none"> • Same as other stock index futures. • The DCB reference price will be the middle price between the last best bid and offer (including the contract price). • The DCB range shall be up/down 0.8% of the DCB reference price, and the duration of the trading suspension shall be 30 seconds as a general rule.

(Reference Translation)

Items	Contents	Notes
6. Restrictions on Trading	<ul style="list-style-type: none"> In cases where OSE deems that trading conditions are, or are likely to be, irregular, OSE may take necessary action on trading and accepting the entrustment of orders pursuant to OSE rules. 	<ul style="list-style-type: none"> Same as other stock index futures.
7. Strategy Trading	<ul style="list-style-type: none"> Strategy trading for TSE Mothers futures will be available to trading participants pursuant to OSE rules. The tick size for strategy trading will be 0.1 point. 	<ul style="list-style-type: none"> Only Calendar Spread Trading will be available. Other matters related to strategy trading will be the same as for other stock index futures.
8. J-NET Trading (Block Trade)	<ul style="list-style-type: none"> J-NET trading for TSE Mothers futures will be available to trading participants pursuant to OSE rules. The tick size for strategy trading will be 0.0001 point. 	<ul style="list-style-type: none"> Other matters related to J-NET trading will be the same as for other stock index futures.
9. Give-up	<ul style="list-style-type: none"> Give-up will be available for TSE Mothers futures. 	<ul style="list-style-type: none"> Same as other stock index futures.
10. Trading Participants	<ul style="list-style-type: none"> Trading participants with Futures, etc. Trading Qualification will be able to trade TSE Mothers futures directly in the OSE market. 	<ul style="list-style-type: none"> Same as other stock index futures.
III. Clearing and Settlement		
1. Clearing Organization	<ul style="list-style-type: none"> Trades of TSE Mothers futures shall be cleared by Japan Securities Clearing Corporation (hereinafter "JSCC"). 	<ul style="list-style-type: none"> Same as other stock index futures.
2. Clearing and Settlement		

(Reference Translation)

Items	Contents	Notes
(1) Declaration of Resale or Repurchase	<ul style="list-style-type: none"> • In cases where a resale or repurchase transaction is executed, clearing participants shall make a declaration to JS SCC by a time specified by JS SCC indicating, for each contract month, whether such transaction was a resale or repurchase, the number of contracts in such transaction, and whether it was conducted based on entrustment by a customer or for a proprietary account. Non-clearing participants shall make such declaration to their designated clearing participants by a time specified by said clearing participants. However, non-clearing participants will be allowed to make a declaration directly to JS SCC as specified by JS SCC. 	<ul style="list-style-type: none"> • Same as other stock index futures.
(2) Settlement Price	<ul style="list-style-type: none"> • Settlement prices for TSE Mothers futures will be determined by JS SCC. 	<ul style="list-style-type: none"> • Same as other stock index futures.
(3) Mark-to-Market	<ul style="list-style-type: none"> • Delivery and receipt of the following differences in the amounts shall be made between clearing participants and JS SCC and between non-clearing participants and their designated clearing participants. <ul style="list-style-type: none"> a. With regard to new transactions on the trading day, the amount for the differences between the day's settlement price and the contract price. b. With regard to unsettled contracts (excluding a. above), the amount for the difference between the previous day's settlement price and the day's settlement price. 	<ul style="list-style-type: none"> • Same as other stock index futures.
(4) Margin	<ul style="list-style-type: none"> • Clearing participants shall submit or deposit to JS SCC, and non-clearing participants shall submit or deposit to their designated clearing participants, an amount of margin that is equivalent to or greater than that required by JS SCC in accordance with the classification of entrustment by clearing participant's customer or proprietary account. 	<ul style="list-style-type: none"> • Same as other stock index futures.

(Reference Translation)

Items	Contents	Notes
(5) Final Settlement	<ul style="list-style-type: none"> Positions for which resale or repurchase transactions were not conducted by the last trading day will be settled, based on the final settlement price for each contract month, on the business day after such final settlement price is determined. 	
(6) Final Settlement Price	<ul style="list-style-type: none"> Final settlement price will be determined on the business day after the last trading day and this price will be calculated based on the opening prices of each component issue on that day. 	
IV. Others		
1. Trading Fees	<ul style="list-style-type: none"> The trading fee per contract will be determined at a later date. 	
2. Market Maker Scheme	<ul style="list-style-type: none"> A market maker scheme will be introduced to complement market liquidity. 	<ul style="list-style-type: none"> Details will be notified later.
3. Disclosure of Information		
(1) Market Data	<ul style="list-style-type: none"> Open/high/low/close price data, trading volume, open interest, and other market information on TSE Mothers futures will be published separately from other stock index futures. 	<ul style="list-style-type: none"> Same as other stock index futures.
(2) Trading by Trading Participant	<ul style="list-style-type: none"> For the time being, trading volume and open interests per trading participant will not be disclosed. 	
(3) Trading by Investor Type	<ul style="list-style-type: none"> Trading volume and value for sales and purchases by different categories of investors will be published separately from other stock index futures. 	<ul style="list-style-type: none"> The specific frequency and method of disclosure will be the same as for other stock index futures.
V. Implementation Date	<ul style="list-style-type: none"> TSE Mothers futures will start trading on the launch date of next J-GATE (scheduled for the middle of 2016). 	