

Introduction of Market Access Rule, etc.

January 30, 2020

Osaka Exchange, Inc.

I. Purpose

The recent automation and acceleration of transactions by market participants has raised the importance for trading participants to conduct appropriate order management.

Given such background, Osaka Exchange, Inc. (OSE) will partially revise the rules concerning order management systems at trading participants from the viewpoint of further improving the stability and reliability of the market.

II. Outline

Item	Contents	Remarks
1. Requirement for Direct and Exclusive Risk Management Control over Customer Order Restriction and Measures	<ul style="list-style-type: none">Trading participants must have direct and exclusive risk management control over customer orders with regard to restriction and measures.The term "direct and exclusive" refers to a situation where only the trading participant can manage the restrictions or measures on customer orders with regard to the management of such orders (e.g., setting and modifying risk parameters, etc.) and its customers cannot alter such settings, etc..	<ul style="list-style-type: none">Examples of specific management methods would be as follows:<ul style="list-style-type: none">- Use of a system independently developed by the trading participant and located in a place physically separated from the customer system.- Use of a risk check solution provided by an independent third-party (e.g., vendor and OSE(TradeGuard)), etc. (limited to the case where the trading participant has direct and exclusive management authority over its use)In cases where software for risk checks required by the trading participant is installed on a system managed by the customer, and the trading participant confirms that the settings and parameters are not changed, such an arrangement is considered as indirect management, not

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		direct and exclusive management. (Cases such as where the customer has entered into a contract, etc. in advance not to change the settings and parameters are also considered as indirect management.)
2. Requirement to Introduce Functions to Prevent Order Placement	<ul style="list-style-type: none"> If an irregular order is unexpectedly placed, etc. due to a situation such as an order placement system malfunction (including customer-side system malfunction), the trading participant must immediately implement measures to prevent the placement of new orders to OSE. 	<ul style="list-style-type: none"> Securities companies that accept orders for Low Latency Trading will continue to be required to implement measures based on the checklist as requested in the notice entitled "Introduction of J-GATE Checklist Pertaining to Management System of Trading Participants Accepting Low-Latency Trading Orders, etc." (OSE Market Planning No.19; Mar. 29, 2019)
3. Prohibition of Order Management Methods That Involve Deliberate Placement of Erroneous Orders, etc.	<ul style="list-style-type: none"> OSE will clarify in its guidelines that trading participants must appropriately handle, in their systems, orders that breach the order limits, etc. they specified. 	<ul style="list-style-type: none"> For example, trading participants will be prohibited from adopting order management methods that employ techniques that allow the overwriting of parameters, etc. to place orders that will obviously be returned as errors by the OSE system. Prohibition of such order management methods will be clearly stipulated in the Order Management Guidelines.

III. Implementation Date (tentative)

These revisions will be implemented in January 2021.

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