

Summary of Public Comments on "Handling of Cases Where There Are Deficiencies in Notices of Transaction Details Due to System Failure, etc."

June 7, 2021

Tokyo Stock Exchange, Inc.

Tokyo Stock Exchange, Inc. (TSE) released its proposals for handling of cases where there are deficiencies in notices of transaction details due to a system failure, etc. on March 29, 2021 and sought public comments until April 28. TSE appreciates the cooperation of those who helped us review this matter by sending comments.

Below are summaries of the comments received and responses from TSE.

No.	Summary of Comment	TSE's Response
1	<p>- (1) For notices of execution of a transaction, TSE sets out that notices will be resent if TSE becomes aware of a deficiency caused by a system failure in such a notice and that a file (execution status list) will be provided if TSE cannot send an execution completion notice to trading participants (hereinafter referred to as "notice resend, etc."). We understand that the notice resend, etc. is based on the assumption that a system failure, etc. has occurred at TSE and trading has been suspended due to said system failure, etc.</p> <p>Based on this understanding, if trading is suspended due to a system failure, etc., there could be cases where trading is resumed with bids/offers that are still valid, but also cases where trading is resumed</p>	<p>-(1) We think it an essential part of preparation for resending orders that trading participants confirm execution statuses. Accordingly, if a failure occurs that means we have been unable to send execution completion notices normally, among other things, we plan to provide an execution status list quickly with the assumption that trading participants will use this to consider whether to participate in trading after the trading resumption.</p> <p>On the other hand, cancellation of bids/offers is part of the procedure for trading resumption. If a resumption in trading is decided after trading participants are provided with execution statuses and details of the resumption procedure, etc.,</p>

No.	Summary of Comment	TSE's Response
	<p>with bids/offers that have been cancelled (meaning invalidated (Rule 3 of the revised Rules concerning Bids and Offers)). In the latter case, since customer orders remain valid, trading participants will have an obligation to resend orders (Rule 9 of the revised Brokerage Agreement Standards). Accordingly, trading participants will need to resend bids/offers to TSE having confirmed and arranged in order all valid bids/offers other than the executed ones provided in the notice resend, etc.</p> <p>With this in mind, from the perspective of minimizing the confusion caused by order resending at trading participants on an operational level and ensuring preparation for resending orders can be made quickly, we request TSE to specify in the rules that bids/offers shall be cancelled (invalidated) after the notice resend, etc. pertaining to executions and make sure this is widely complied with.</p> <p>-(2) For entrusted customer orders, it will be very important to confirm which orders have been executed and which have been cancelled, as well as to confirm corrections/cancellations of amounts and prices, etc. which have happened based on agreements between trading participants and customers or customers' instructions (Rule 8 of the revised Brokerage Agreement Standards). Accordingly, for provision of a file (execution status list) in cases where execution completion notices</p>	<p>bids/offers will be cancelled during preparations for resumption. As such, the timing of cancellation of bids/offers will be after the provision of execution statuses to trading participants.</p> <p>(2) Since the virtual server number, which is an input source, is recorded in the execution status list, it is possible for trading participants to get the execution statuses for each virtual server. TSE will keep improving the method of provision, etc. of execution status lists through system failure drills, etc.</p>

No.	Summary of Comment	TSE's Response
2	<p>cannot be sent, with the assumption that trading participants' orders are managed separately in specific virtual servers, we request that, to minimize trading participants' operational burden and ensure speedy preparation for resending orders in emergencies, in cases where trading participants use more than one virtual server, trading participants should be allowed to designate groupings of virtual servers and the provision of execution status lists should be conducted for each group of virtual servers designated by trading participants.</p> <p>-(1) It is stated that "TSE will clarify in the rules that, if it becomes aware of a delay, absence or other deficiency caused by a system failure in a notice of execution of a transaction, TSE shall resend the details of said transaction to the selling trading participant and buying trading participant in a manner decided by TSE on a case-by-case basis". In this regard, do we understand that notices sent from TSE in the event of a failure (including execution notices and invalidation notices) will never be incorrect?</p> <p>-(2) It is stated in the "remarks" section that "in the event that where a system failure occurs causing an inconsistency between TSE and a trading participant in understanding of the status of an execution and TSE cannot send an execution completion notice to the trading participant, TSE will provide a file containing the details of said</p>	<p>-(1) First of all, if an execution completion notice is processed normally in the exchange system and is sent to a trading participant, TSE will treat it as valid in principle and will take every measure to avoid sending incorrect execution completion notices to trading participants. However, since deficiencies could occur in execution completion notices due to a system failure, etc., in this case TSE will clear such deficiencies by providing an execution status list, etc.</p> <p>-(2) As you suggest, if execution completion notices have been unable to be sent due to a failure, TSE will firstly conduct a recovery process so that execution completion notices can be sent. If execution completion notices cannot be sent even after the recovery process, we expect to provide an execution status</p>

No.	Summary of Comment	TSE's Response
	<p>transaction (execution status list) without delay". In this regard, if TSE cannot send execution completion notices during a failure, we suggest that it establishes a mechanism which enables it to send valid execution completion notices to trading participants by message, after completion of the recovery process but before resumption of order acceptance.</p>	<p>list.</p>

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