

Granting of Licenses for Domestic Exchange Traded Funds (ETFs) Based on Indexes Calculated by the Tokyo Stock Exchange

The Tokyo Stock Exchange is currently promoting the listing of exchange traded funds (ETFs) in an effort to expand the lineup of our listed products, and with the recent jump in ETF listings, we have had several requests to explain the licensing process for those ETFs based on indexes calculated by the TSE.

As such, in the interest of procedural transparency and fairness, the TSE has proscribed and is announcing the following licensing methodology for when ETFs based on TSE-calculated indexes are created and listed domestically.

I. Basic Licensing Policy

The TSE will grant licenses based on a comprehensive evaluation of the organizational structure of the company applying for the license, as well as elements such as the ETF structure, listing and sales plans and anticipated liquidity.

II. Licensing Methodology

1. Methodology for indexes currently calculated by the TSE.

- ① In general, license applications will be considered in the order in which they were received
- ② If several companies apply for a closed license simultaneously, the TSE will grant the license based on a comprehensive evaluation of the conditions of each applicant's contract and other factors.

TSE-calculated indexes for which a license can be granted are as follows:

TOPIX, TOPIX New Index Series, Size-Based TOPIX Sub-Indices, TOPIX Sector Indexes, TOPIX-17 Series, TOPIX Style Index Series, TOPIX Dividend Index, TOPIX Risk Control Index, TSE 2 nd Section, TSE Mothers, Tokyo Stock Exchange REIT Index/Property Sector Index Series, TSE Composite Index Series, Tokyo Stock Exchange Dividend Focus 100, Currency Hedge Indexes

*Indexes other than those listed above are not available for licensing, as they are

currently under closed license¹. The TSE may not grant licenses for a specified term for the above indexes (except for those that are the underlying index for a currently listed domestic ETF), or for TSE-calculated indexes developed in the future for which a closed license has been granted/applied.

2. Methodology for Future TSE-Calculated Indexes

- ① The TSE will announce a license application period (around one month) during which applications received will be considered to have arrived at the same time. License applicants propose license fees² to the TSE when applying.
- ② If several different companies apply for a closed license during this period, the TSE will grant the license based on the license fees proposed by the different companies after a comprehensive evaluation of the conditions of each applicant's contract and other factors.
- ③ In general, the maximum term for closed licenses is six months from the date of listing. Please note that even though these licenses are "closed," there may be more than one company to which the license is granted (i.e. the licenses may not be "exclusive"). These companies would be able to use the index before general applicants during the allocated term.
- ④ If no license applications have been received during the application period, licenses will be granted according to II. 1. above.
- ⑤ For custom indexes and/or indexes for which the TSE has received significant assistance from other companies, said companies may have priority in obtaining a license (the TSE will clarify whether or not a new index falls under this category when announcing said index).

3. Other

The TSE will regularly update our website with TSE-calculated indexes which may be used in domestic ETFs.

(Website location)

Top page -> Market Information -> Indices -> TOPIX License

Contact:

¹ Licenses that specify that the licensee may list an ETF ahead of other license applicants (including potential license applicants) for a specified period of time at the request of said licensee.

² Proposed license fees must exceed the minimum level set by the TSE. Please contact us directly for more information on these license fees.

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