

Conclusions of discussion group meetings regarding 10-year JGB Futures specifications

The conclusions of the discussion group regarding 10-year JGB Futures specifications are as follows.

<Outline of Discussions - Influence of 10-year JGB Futures specifications change>

- ◆ Liquidity of 10-year JGB Futures
 - The major opinion is that if minimum maturity of deliverable bond is raised to 9 years, the number of participants who have trading purposes other than hedge would be reduced so that liquidity of 10-year JGB Futures would be threatened.
- ◆ Unmatched price movement of cash JGBs with remaining maturity of 10 years and 10-year JGB Futures
 - Although some of the panel members request to improve the price linkage between JGBs with remaining maturity of 10 years and 10-year JGB Futures, the major opinion is that the change of the specifications is unfavorable because current 10-year JGB Futures can also be used as a hedging tool for mid-term bonds.
 - Therefore, 5-year JGB Futures trading must be activated if 10-year JGB Futures specifications are changed. However, it seems difficult to take effective measures to make 5-year JGB Futures trading active immediately.
- ◆ Benchmark for 7-year interest rate
 - Most panel members support current situation that CTD is fixed to JGBs with remaining maturity of 7 years and 10-year JGB Futures work as a benchmark of 7-year interest rate.
- ◆ Delivery option
 - Delivery option caused by the specifications change affects on the liquidity of JGB Futures trading.
- ◆ Squeeze
 - JGBs issuing amount is increasing and risk of squeeze is limited.

<Conclusions>

In consideration of the panel members' opinions, it is not appropriate to change 10-year JGB Futures specifications at this moment. However, TSE does not deny the possibility for necessary revisions in the future in consideration of environmental changes regarding JGBs issuance, interest rate and so on.