

## Revisions to Trading Rules at the Time of Launching "arrowhead"

April 28, 2009  
Tokyo Stock Exchange, Inc.

### I. Purpose

In order to handle minimization of order lot size and the rapid expansion of order numbers, as well as realize the needs of investors and trading participants for faster order and execution processing and the like, we, the Tokyo Stock Exchange (TSE), have decided to construct a new next-generation trading system. This new system for the cash markets (equity, CB, etc.) is planned to launch on January 4<sup>th</sup>, 2010 and will meet world-class standards for speed, reliability, and scalability. Along with the construction of arrowhead, we are planning for the simplification of trading rules & regulations and practices based on the opinions of trading participants, and have decided upon a plan to revise trading rules & regulations in order to ensure smooth price formation and to improve liquidity. Summaries of partial revisions in line with that plan are gathered below.

Some concrete examples of our plans to improve convenience are, from the view point of simplifying trading rules & regulations and practices, the revision of the rule for simultaneously placed bids or offers and the elimination of half-days, etc. We are also planning the reduction of tick sizes, revision of price limits on bids/offers and quote renewals, and the softening of matching conditions when the opening price is decided or when orders are allotted at the time of stop high/low, for the improvement of price formation and liquidity

### II. Outline

Item	Details	Comments
1. Simplification of Trading Rules (1) Elimination of Half-holidays	- Half-holidays on the first and last business days of the year will be eliminated.	- Trading will occur on the first and last business days of the year as it would on a normal business day. - This will be the same in futures and options trading, as well.

Reference Translation

Item	Details	Comments
(2) Revision of rules for simultaneously placed bids or offers	- The order of simultaneous bids or offers is decided from larger amounts of bids/offers to smaller amounts of bids/offers. Bids/offers in the amount of the trading unit are given priority to any other amount seriatim.	- When bid/offer amounts are the same, order will be decided by the order in the arrowhead logs. -This will be the same in the case of the so-called stop allocation, as well.
<p>2. Facilitation of price formation and enhancement of liquidity</p> <p>(1) Partial revision to tick size structure</p> <p>(2) Revision of price limits on bids/offers and special quote renewal price intervals</p> <p>(3) Introduction of sequential trade quote</p>	<p>- There will be a partial revision to the tick size structure with regard to stocks, etc. in order to correct overall imbalances and improve understandability.</p> <p>- There will be a partial revision to price limits on bids/offers and special quote renewal price intervals in order to correct overall imbalances and improve understandability.</p> <p>- In cases where the TSE deems bid/offer circumstances, etc. are such that it is necessary to prevent sudden price fluctuations due to a single bid/offer, the TSE will display certain quotes on the trading participant terminal, starting from the immediately preceding contract price, in the unit of a price interval that the TSE deems appropriate.</p>	<p>- Please see Attachment 1.</p> <p>- Please see Attachment 2.</p> <p>- Price limits for trading that determines the closing price will be revised in the same manner as the special quote renewal price intervals.</p> <p>- In concrete terms, in the event that the price of a stock goes up sequentially due to transactions based on a single bid, and is furthermore to go over a price defined below(*1) based on said single offer, the Exchange will display a sequential trade quote at said defined price.</p> <p>(*1) A price computed by adding the price spread that the Exchange deems appropriate (i.e. twice the special quote renewal price interval) to the contract price immediately before such</p>

Item	Details	Comments
<p>(4) Revision of matching conditions at the time of Itayose (a kind of call auction).</p>	<p>- When using the “Itayose” method, when the sum totals of the following bids and offers match at a certain price, transactions will be executed between equivalent bids and offers using such price as the contract price.</p> <p>a. The total amount of market orders</p>	<p>single bid.</p> <p>On the other hand, in the event that the price of a stock goes down sequentially due to transactions based on a single offer, and is furthermore to go under a price defined below (*2) based on said single offer, the Exchange will display a sequential trade quote at said defined price.</p> <p>(*2) A price computed by deducting the price spread that the Exchange deems appropriate (i.e. twice the special quote renewal price interval) from the contract price immediately before such single offer.</p> <p>- Where a time deemed appropriate by the Exchange (i.e. one (1) minute) has elapsed since the point of displaying the sequential trade quote, if the stock is to be bought upward over (sold downward under) the next special quote renewal price interval by said single bid (offer), the Exchange will display a special quote at said next special quote price interval.</p> <p>- With regard to Item c. in the left column, currently, the quantity equal to or above the minimum trading unit is further required to be matched against the</p>

Item	Details	Comments
	<p>b. The total amount of bids which are over the contract price and offers which are below the contract price</p> <p>c. The total amount of bids or offers at the contract price.</p>	<p>quantity of the other side. However such requirements will be eliminated.</p> <p>- In the event of closing auctions at the daily price limit, if there are bids/offers at the minimum trading unit, those transactions will be executed.</p>
<p>3. Other</p> <p>(1) Revision of Foreign ETF Support Member Regulations</p> <p>(2) Establishment of classification of order attributes</p>	<p>- When a trading participant designated as a Foreign ETF Support Member trades the issue for which they are so designated in trading sessions in the Exchange market, the trading fees will be rebated based on the total trading value of such trades pertaining to the bids/offers which are designated by said trading participant as a Foreign ETF Support Member.</p> <p>- Trading participants will clarify each bid/offer's attribute each time they make it as an item to report to the Exchange with regard to the trading participant terminal.</p>	<p>- In concrete terms, the trading participant makes the input into the trading participant terminal to clarify to the exchange that the trading participant is making a bid/offer as a Foreign ETF Support Member in order to ensure the smooth circulation of the issue.</p> <p>- In concrete terms, a trading participant will clarify whether the bid/offer was entered automatically (*3) or manually (non-automatic entry) every time a bid/offer is made.</p> <p>(*3) The term "automatically" means cases where a staff member of the trading participant enters an order into the trading participant terminal with any of all conditions (issue, price, quantity, execution conditions, and order placement timing) automatically designated.</p> <p>- The current semi-annual report on the</p>

Item	Details	Comments
<p>(3) Elimination of Foreign Currency Denominated Convertible Bond Listing Rules and Regulations</p> <p>(4) Other</p>	<p>- The listing rules and regulations, etc. of foreign currency denominated convertible bonds will be eliminated.</p> <p>- Other required revisions will be made.</p>	<p>condition of trading system usage will continue after arrowhead launches.</p>

### III. Period of Implementation (Scheduled)

- These revisions will be implemented at the time arrowhead launches (Expected Date: January 4<sup>th</sup>, 2010).
- However, the elimination of half-holidays will be enacted on the last business day of 2009 (December 30<sup>th</sup>, 2009).

## Tick Sizes of Stocks (in yen)

Stock Price					Current	Planned Revision
		~	2,000	Or under	1	1
2,000	Over	~	3,000	"	5	<u>1</u>
3,000	"	~	5,000	"	10	<u>5</u>
5,000	"	~	30,000	"	10	10
30,000	"	~	50,000	"	50	50
50,000	"	~	300,000	"	100	100
300,000	"	~	500,000	"	1,000	<u>500</u>
500,000	"	~	3,000,000	"	1,000	1,000
3,000,000	"	~	5,000,000	"	10,000	<u>5,000</u>
5,000,000	"	~	20,000,000	"	10,000	10,000
20,000,000	"	~	30,000,000	"	50,000	<u>10,000</u>
30,000,000	"	~	50,000,000	"	100,000	<u>50,000</u>
50,000,000					100,000	100,000

**Price Limits on Bid/Offer and Special Quote Renewal Price Intervals**  
(in yen)

Stock Price					Price Limit		Renewal Price Interval		
					Current	Planned Revision	Current	Planned Revision	
		100	Under			30	30	5	5
100	Or over	~	200	"		50	50	5	5
200	"	~	500	"		80	80	5	<b>8</b>
500	"	~	700	"		100	100	10	10
700	"	~	1,000	"		100	<b>150</b>	10	<b>15</b>
1,000	"	~	1,500	"		200	<b>300</b>	20	<b>30</b>
1,500	"	~	2,000	"		300	<b>400</b>	30	<b>40</b>
2,000	"	~	3,000	"		400	<b>500</b>	40	<b>50</b>
3,000	"	~	5,000	"		500	<b>700</b>	50	<b>70</b>
5,000	"	~	7,000	"		1,000	1,000	100	100
7,000	"	~	10,000	"		1,000	<b>1,500</b>	100	<b>150</b>
10,000	"	~	15,000	"		2,000	<b>3,000</b>	200	<b>300</b>
15,000	"	~	20,000	"		2,000	<b>4,000</b>	200	<b>400</b>
20,000	"	~	30,000	"		3,000	<b>5,000</b>	300	<b>500</b>
30,000	"	~	50,000	"		4,000	<b>7,000</b>	400	<b>700</b>
50,000	"	~	70,000	"		5,000	<b>10,000</b>	500	<b>1,000</b>
70,000	"	~	100,000	"		10,000	<b>15,000</b>	1,000	<b>1,500</b>
100,000	"	~	150,000	"		20,000	<b>30,000</b>	2,000	<b>3,000</b>
150,000	"	~	200,000	"		30,000	<b>40,000</b>	3,000	<b>4,000</b>
200,000	"	~	300,000	"		40,000	<b>50,000</b>	4,000	<b>5,000</b>
300,000	"	~	500,000	"		50,000	<b>70,000</b>	5,000	<b>7,000</b>
500,000	"	~	700,000	"		100,000	100,000	10,000	10,000
700,000	"	~	1,000,000	"		100,000	<b>150,000</b>	10,000	<b>15,000</b>
1,000,000	"	~	1,500,000	"		200,000	<b>300,000</b>	20,000	<b>30,000</b>
1,500,000	"	~	2,000,000	"		300,000	<b>400,000</b>	30,000	<b>40,000</b>
2,000,000	"	~	3,000,000	"		400,000	<b>500,000</b>	40,000	<b>50,000</b>
3,000,000	"	~	5,000,000	"		500,000	<b>700,000</b>	50,000	<b>70,000</b>
5,000,000	"	~	7,000,000	"		1,000,000	1,000,000	100,000	100,000
7,000,000	"	~	10,000,000	"		1,000,000	<b>1,500,000</b>	100,000	<b>150,000</b>
10,000,000	"	~	15,000,000	"		2,000,000	<b>3,000,000</b>	200,000	<b>300,000</b>
15,000,000	"	~	20,000,000	"		3,000,000	<b>4,000,000</b>	300,000	<b>400,000</b>
20,000,000	"	~	30,000,000	"		4,000,000	<b>5,000,000</b>	400,000	<b>500,000</b>
30,000,000	"	~	50,000,000	"		5,000,000	<b>7,000,000</b>	500,000	<b>700,000</b>
50,000,000	"					10,000,000	10,000,000	1,000,000	1,000,000