

# Introduction to Osaka Exchange

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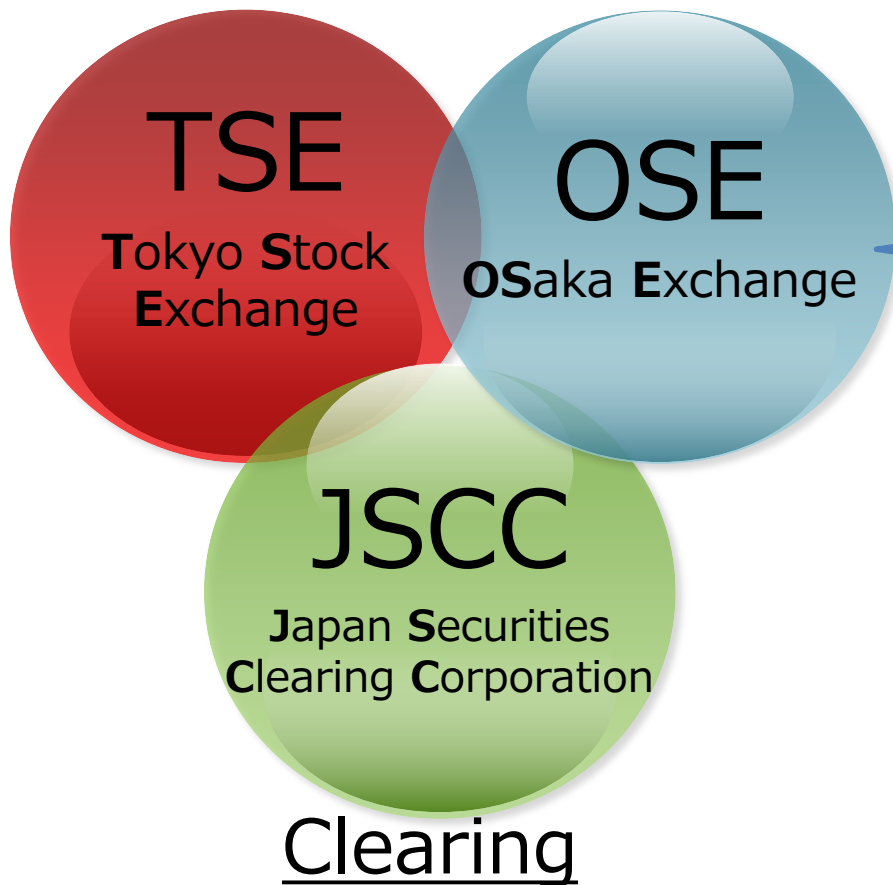
January, 2016  
Osaka Exchange, Inc.

# OSE is the Derivatives Market of Japan Exchange Group

- Osaka Exchange (OSE) is the derivatives market of Japan Exchange Group.
- OSE's major products are the futures and options on Nikkei 225, TOPIX, JPX Nikkei 400, JGB, non-Japanese equity indices, and SSOs.

## Cash

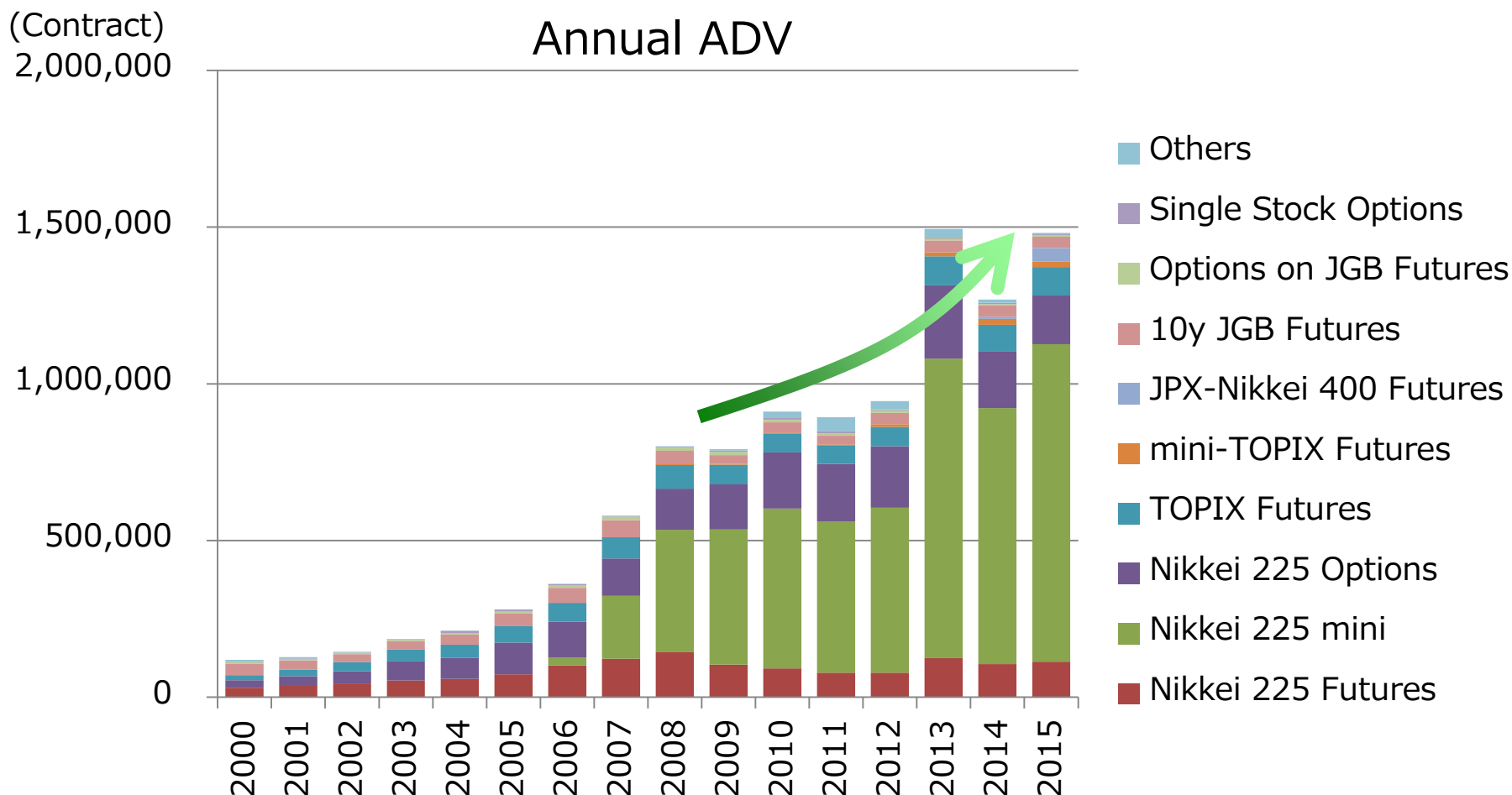
## Derivatives



- ✓ Japanese Indices
- ✓ Nikkei 225
- ✓ TOPIX
- ✓ JPX Nikkei 400
- ✓ JGB
- ✓ Asian and World Indices
- ✓ Single Stock Options

# OSE's ADV is Around 1,500,000 contracts

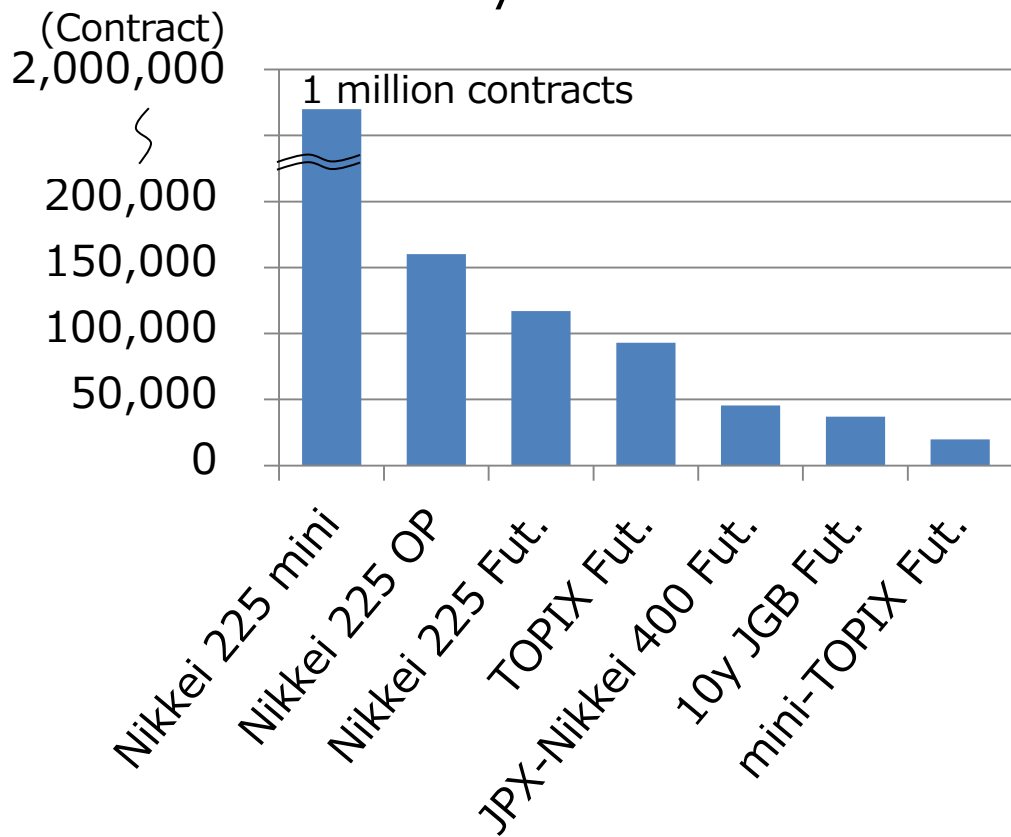
- ADV has grown at CAGR of **18%** over the last decade.
- Nikkei 225 mini is the **most traded equity index futures** in Asia.



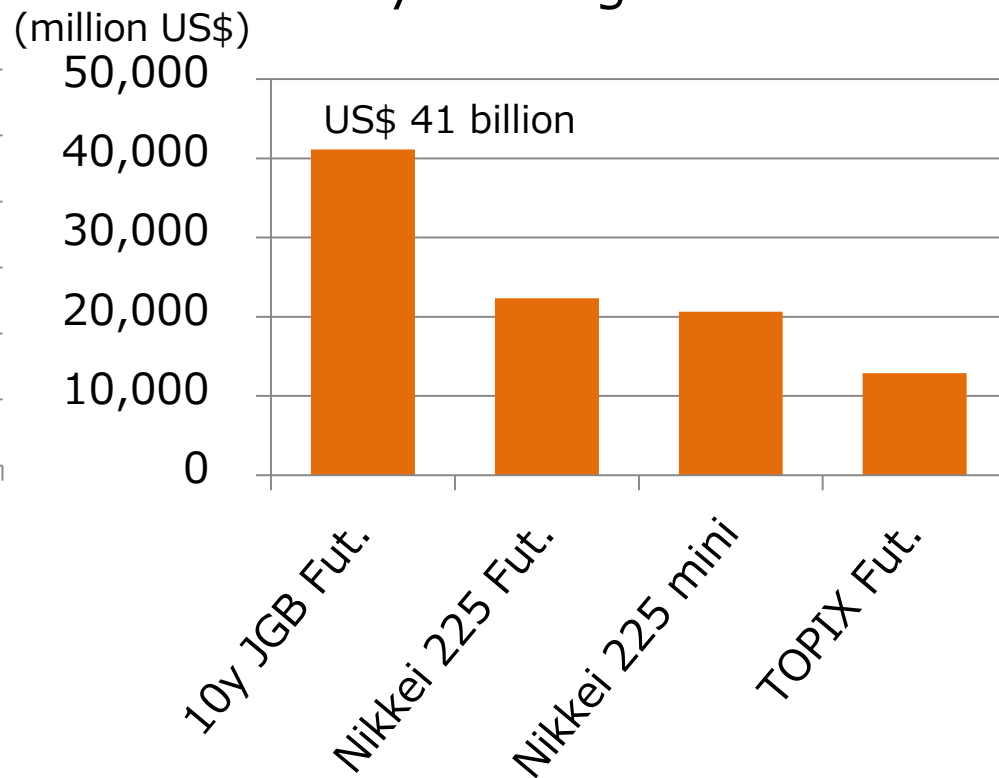
# Ranking by ADVolume and ADValue

- The most traded product by ADV is **Nikkei 225mini** (over 1 million contracts)
- The most traded product by average daily trading value is **10y JGB Futures** (US\$ 41 billion)

### By Volume



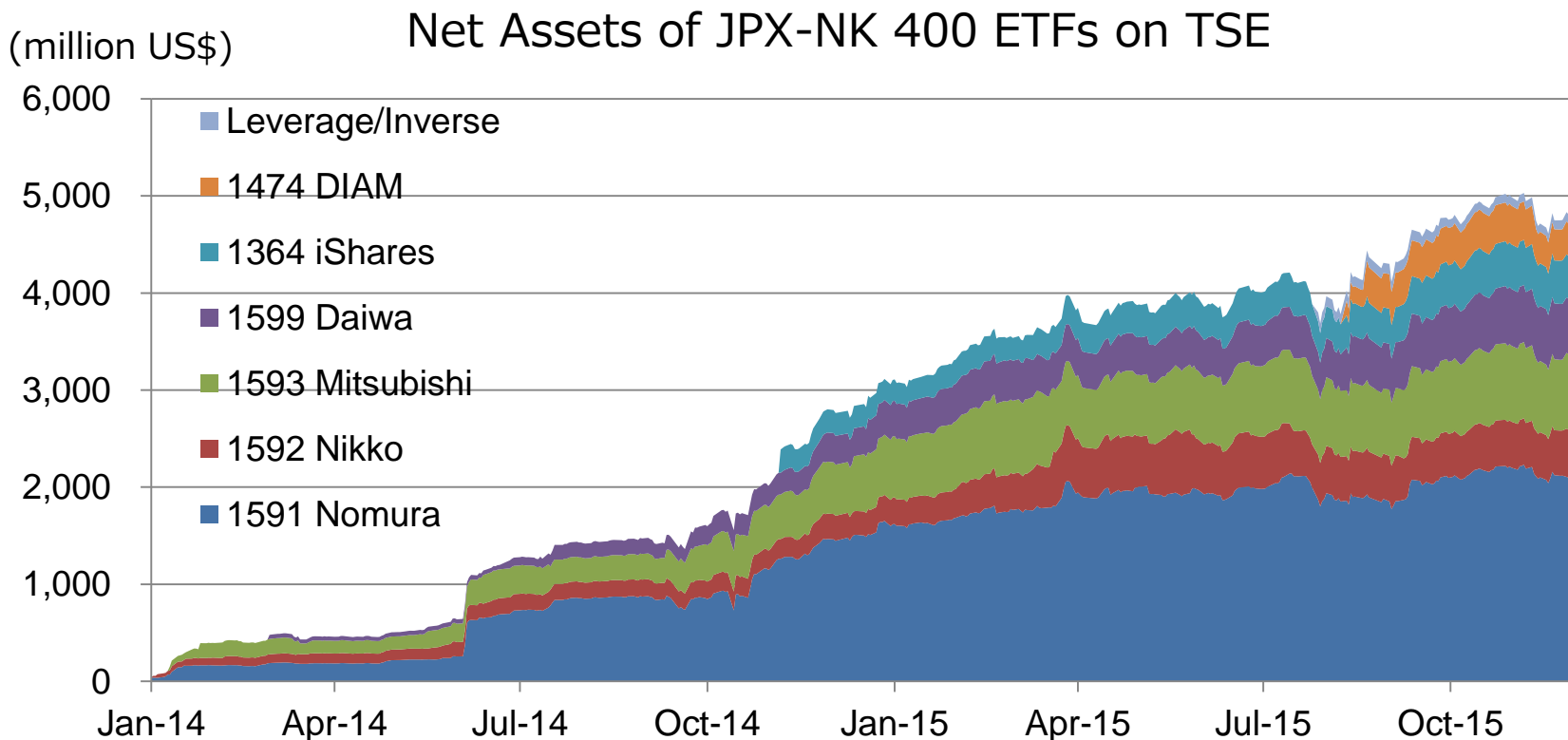
### By Trading Value





# OSE's Brand New Products(1/3) – JPX Nikkei 400 Futures

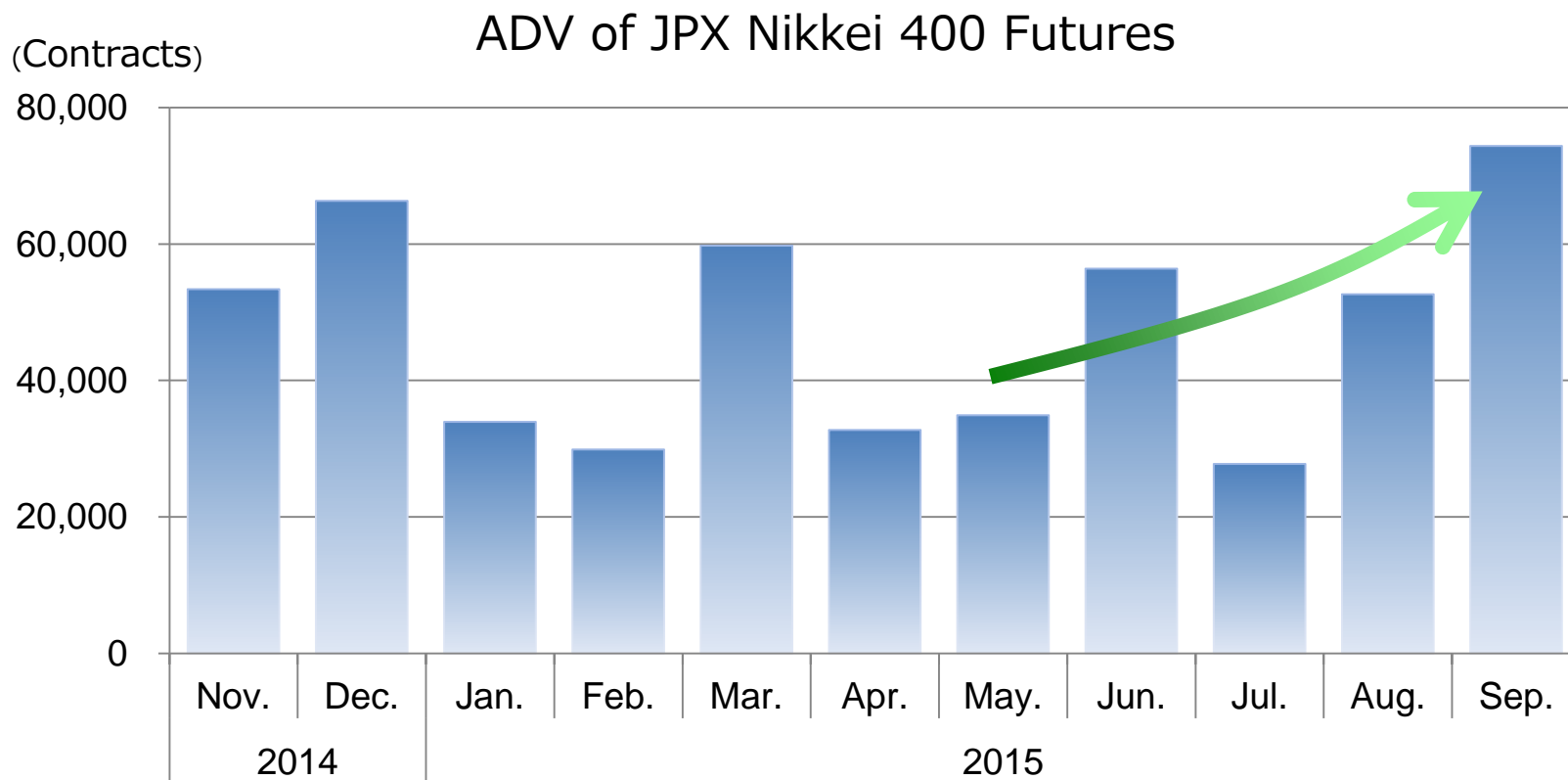
- **JPX Nikkei Index 400** consists of 400 highly appealing companies for investors, which companies meet global investment standards, such as high ROE.
- Net assets of the ETF listed on TSE which track JPX Nikkei 400 reached **US\$ 5 bil.**





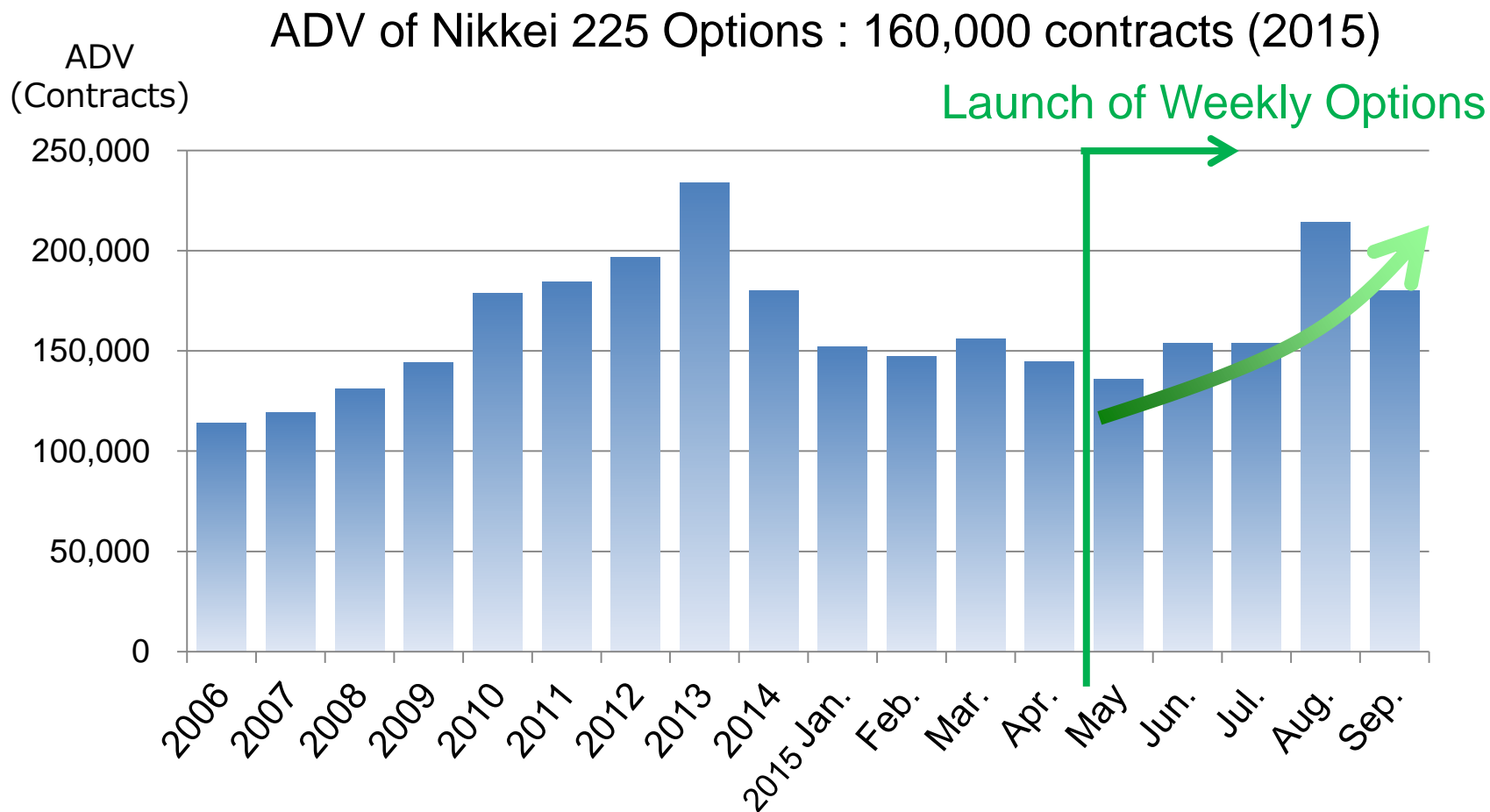
# OSE's Brand New Products(1/3) – JPX Nikkei 400 Futures

- The ADV of **JPX Nikkei 400 futures** has shown solid growth marking **46,000+** contracts since its launch.
- **JPX Nikkei 400 options** is coming in mid-2016.



# OSE's Brand New Products(2/3) – Nikkei 225 Weekly Options

- **Nikkei 225 Weekly Options** is the only listed weekly options on Nikkei 225 index.
- The weekly options' smaller contract size enables various types investors to join Nikkei 225 options trading adding extra traction on the market.



# OSE's Brand New Products(3/3) – 20 year JGB Futures

- Reflecting the growing importance on the super long zone in cash JGB, OSE has revised the specifications of **20y JGB futures** contract.
- **mini 10y JGB futures** is cash-settled.

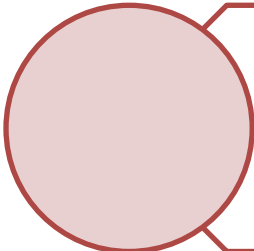
- ✓ JGB F&O market is one of the most liquid interest rate markets in the world.
- ✓ Revision of **20-year JGB Futures**

Item	After Revision	Before Revision
Coupon Rate	<b>3%</b>	6%
Deliverable Grade	20-year JGB whose maturity is <b>19y3m</b> or <b>19y6m</b>	20-year JGB whose maturity is <b>more than 18y</b>

- ✓ Cash-settled: mini 10-year JGB Futures



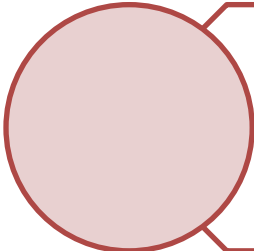
- Cross margining available among various equity index derivatives products.



Nikkei 225 Futures and TOPIX Futures cross margining.



JGB Futures and IRS cross margining.



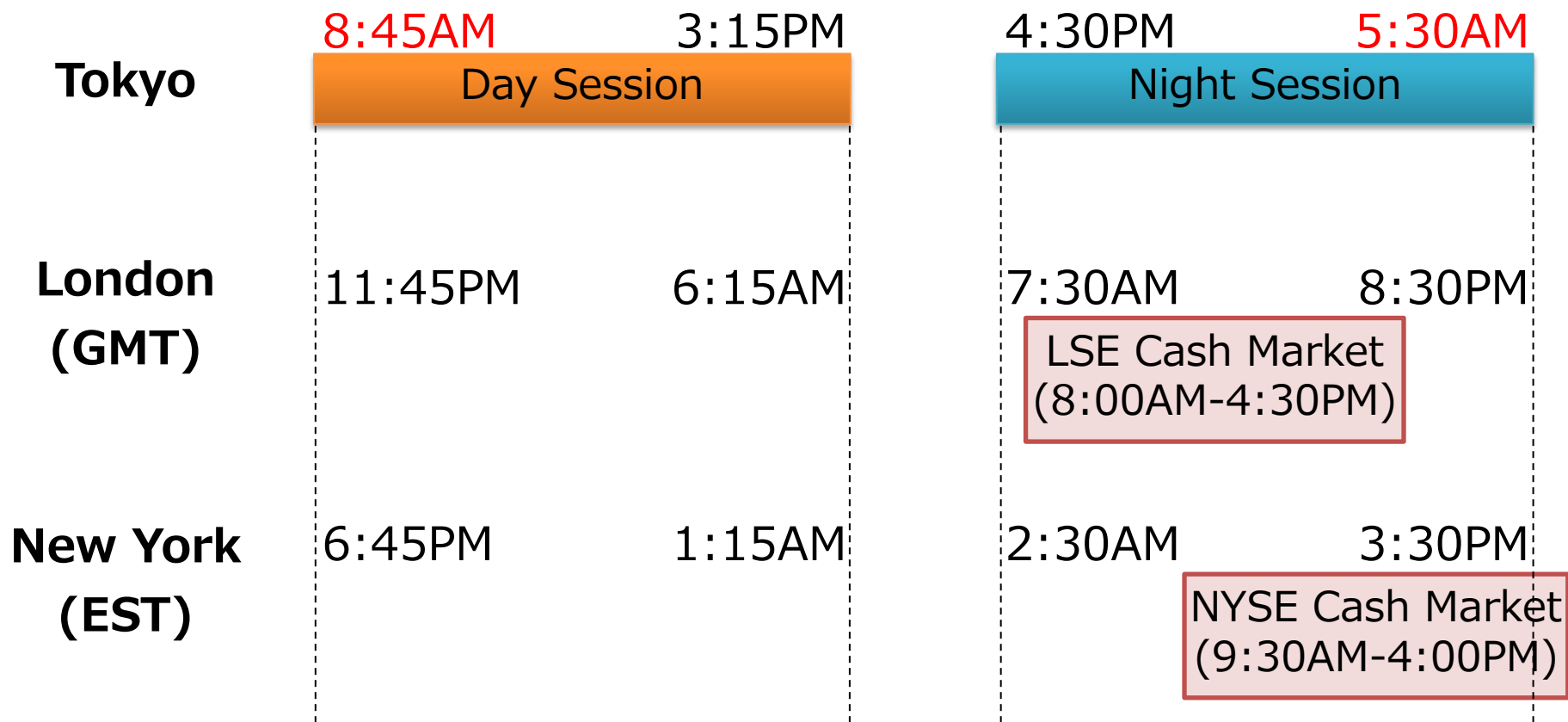
Delivery date of JGB futures is shortened from L+7 to L+5.

- J-GATE (OSE's derivative trading system) will be renewed in mid-2016 with new technical features, trading rules, and products.
  - 1. Longer Trading Hours**
    - Until **3:00 AM** → **5:30 AM** (JST) i.e., **1:00 PM** → **3:30 PM** (EST)
  - 2. Risk Management Function**
    - Trade Guard: Compulsory pre-trade risk control functions
  - 3. ITCH Protocol**
    - ITCH protocol supported for market data broadcasting
  - 4. New Products**
    - JPX-NK 400 Options
    - TSE Mothers
    - TAIEX
    - FTSE China 50 Index

# New J-GATE: Longer Trading Hours

- Equity index futures trading market covers entire trading hours in London.
- Also covering the most trading hours in New York. \*entirely during daylight savings time

## New Trading Hours for Equity Index Futures



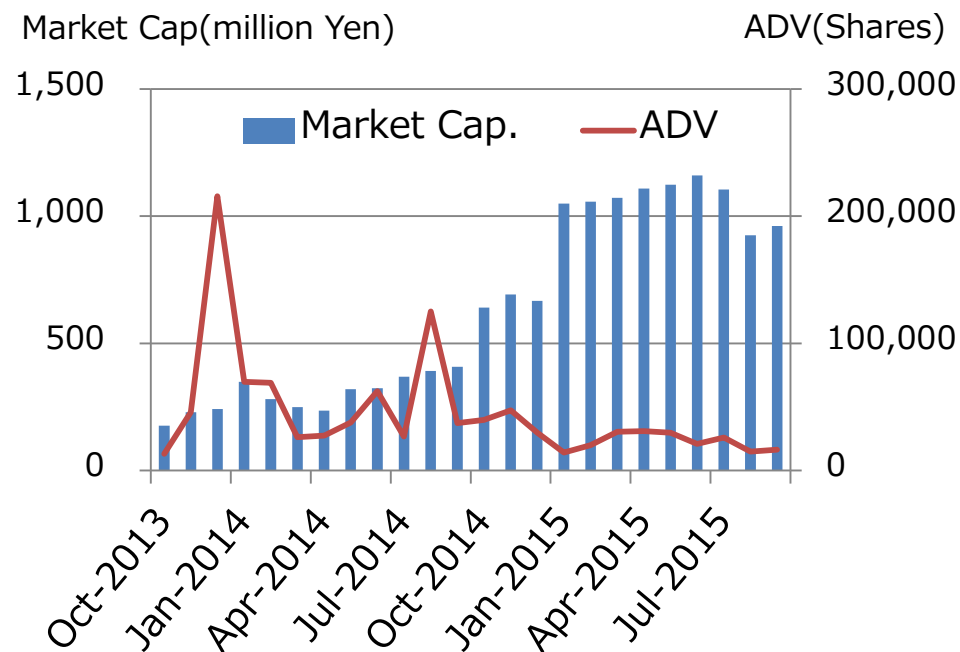
# New J-GATE: New Products (1) – TSE Mothers Futures

- **TSE Mothers Index** (Market of the high-growth and emerging stocks) is a free-float adjusted market cap-weighted index on all common stocks listed on TSE Mothers.
- **TSE Mothers Index Futures** is a new way to invest in Japanese emerging markets.

## Indices and Market Coverage

Index	Eligible Markets		
	TSE 1 <sup>st</sup>	TSE 2 <sup>nd</sup>	Mothers
TOPIX	✓		
Nikkei 225	✓		
JPX Nikkei 400	✓	✓	✓
TSE Mothers			✓




## TSE Mothers ETF and ETN




- Adding **FTSE China 50 Futures** and **TAIEX Futures** to JPX Global Index Futures Series.



- J-GATE (OSE's derivative trading system) will be renewed in mid-2016.

2015			2016						
10-12			1-3			4-6		Mid-2016	
									
									
									 <b>Go-Live</b>

# Reference: Contract Specifications of New Products (1)

	DJIA	India Nifty50	FTSE China 50 Index (mid-2016)	TAIEX (mid-2016)
Trading Hours	<p><b>Currently</b> 9:00-15:15, 16:30-3:00(JST, GMT+9)</p> 		<p><b>From mid-2016</b> <b>8:45</b>-15:15, 16:30-<b>5:30</b> (JST, GMT+9)</p>	8:45-15:15 (JST, GMT+9)
Contract Size	DJIA x JPY100	Nifty 50 x JPY100	FTSE China 50 Index x JPY100	TAIEX x JPY100
Tick Size	1.0 pt. (= JPY100)	1.0 pt. (= JPY100)	5.0 pts. (= JPY500)	1.0 pt. (= JPY100)
Contract Months	(Quarterly) 4 contract months	(Monthly) 3 contract months	(Monthly) 2 contract months (Quarterly) 2 contracts months	(Monthly) 2 contract months (Quarterly) 3 contracts months
Last Trading Day	A trading day which ends on the third Friday of each contract month.	A trading day which ends on the last Thursday of each contract month.	A trading day which ends on the day prior to the last day of each contract month.	A trading day which ends on the third Wednesday of each contract month.
Circuit Breaker	Available			N.A.
Final Settlement	Cash Settlement			
Final Settlement Price	The final settlement price determined by CBOT for the DJIA Futures contract on CBOT whose last trading day belongs to the same month as the contract month of the DJIA Futures	The index which is calculated by IISI as the final settlement price for NSE Nifty Futures whose last trading day is the same as the said contract month of Nifty Futures.	The closing value of FTSE China 50 Index on the last trading day	The same as the value for the contract month of TAIFEX TAIEX futures whose last trading day falls in the same month.
Give-Up	Available			

# Reference: Contract Specifications of New Products (2)

Contract	JPX Nikkei 400 Options (mid-2016)						
Trading Hours	8:45-15:15, 16:30-5:30 (JST, GMT+9)						
Non-Cancel Period	Not Applicable						
Contract Size	JPX Nikkei 400 x JPY 1,000						
Tick Size	<table border="1"> <thead> <tr> <th>Premium</th> <th>Tick Size</th> </tr> </thead> <tbody> <tr> <td>Less than 50pts.</td> <td>1.0 pt.</td> </tr> <tr> <td>50pts. or more</td> <td>5.0 pts.</td> </tr> </tbody> </table>	Premium	Tick Size	Less than 50pts.	1.0 pt.	50pts. or more	5.0 pts.
Premium	Tick Size						
Less than 50pts.	1.0 pt.						
50pts. or more	5.0 pts.						
Contract Months	19 contract months (Jun. & Dec.) 10 contract months (Mar. & Sep.) 3 contract months (Others) 6 contract months						
Strike Prices	ATM+/-8 Prices (500 pts. interval) (3 nearest contract months) ATM+/-8 Prices (250 pts. interval)						
Setting Strike Prices based on Application*	Available						
Circuit Breaker	Available						
Strategy Trading	Available (implied function will not available)						

Last Trading Day	The business day preceding the 2nd Friday of each contract month (to be moved up in order if it falls upon an OSE's non-business day)
Exercise	The business day after the last trading day only (American)
Final Settlement	Cash Settlement
Final Settlement Price	Special Quotation (SQ calculation is based on the total opening prices of each component stock of Index on the business day following the last trading day)
Give Up	Available

\* Will be introduced in mid 2016 with the new J-GATE.





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