

Trading and Rules under the Next Generation System

An introduction to the new trading system and rule changes
From September 20, 2016

**** Updated in Red Texts on September 13, 2016 ****

Tokyo Commodity Exchange, Inc.

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Changes to Trading Hours

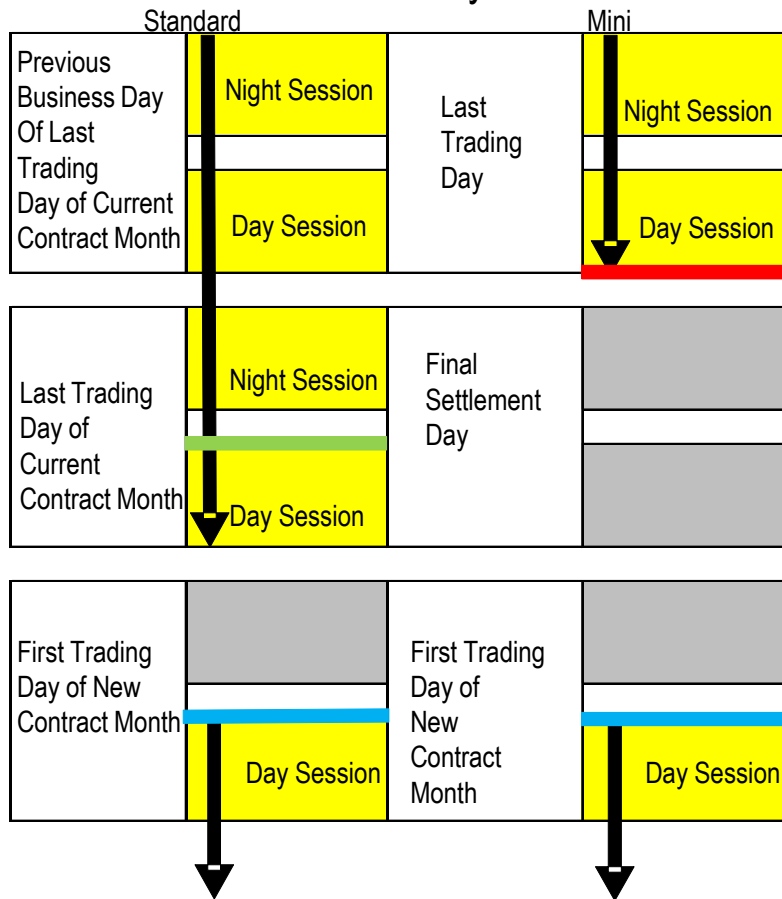
- Trading for the day session will start at 8:45 am, and the end of trading for the night session will be changed to 5:30 am
- Along with the above, there will be changes to the Order Acceptance Periods

Items	New System	Current System	Remarks
Trading hours	Day session <u>8:45 am</u> – 3:15 pm Night session 4:30 pm – <u>5:30 am</u> the following <u>calendar day</u> (Until 7:00 pm for Rubber)	Day session <u>9:00 am</u> – 3:15 pm Night session 4:30 pm – <u>4:00 am</u> the following <u>calendar day</u> (Until 7:00 pm for Rubber)	Start of trading for the day session will be moved forward 15 minutes. The close of trading for the night session will be pushed back 1 hour and 30 minutes. (For Rubber, the times will remain the same.)
Start of Order Acceptance Period	Day session -- <u>8:00 am</u> Night session -- 4:15 pm	Day session -- <u>8:30 am</u> Night session -- 4:15 pm	For the day session, orders will start to be accepted 30 minutes earlier.

- A Night session will be introduced for the last trading day of the year, considered as transactions in the next clearing period.
- The first trading day of a new contract month will be the business day following the last trading day of the current contract month as trading for the new contract month will start from the day session.
- The last trading day for mini-contracts will be moved one business day forward, and trading will end at the end of the day session.

Items	New System	Current System	Remarks
Night session on the last trading day of the year	There will be a night session on the last trading day of the year, to be included in the next clearing period	There is no night session on the last trading day of the year	
First trading day of a new contract month	Trading for a new contract month will start with <u>the day session</u> of the next clearing period, after the last trading day of the current contract month	Trading for a new contract month will start with the night session of the next clearing period after the last trading day of the current contract month	The trading for the new contract month will be changed to start with the day session
Last trading day for Mini-contracts	Trading ends with <u>the day session</u> of the business day immediately preceding the last trading day for the standard contract of the current contract month	Trading ends with the night session of the last trading day for the standard contract of the current contract month	

【New System】



【Current System】



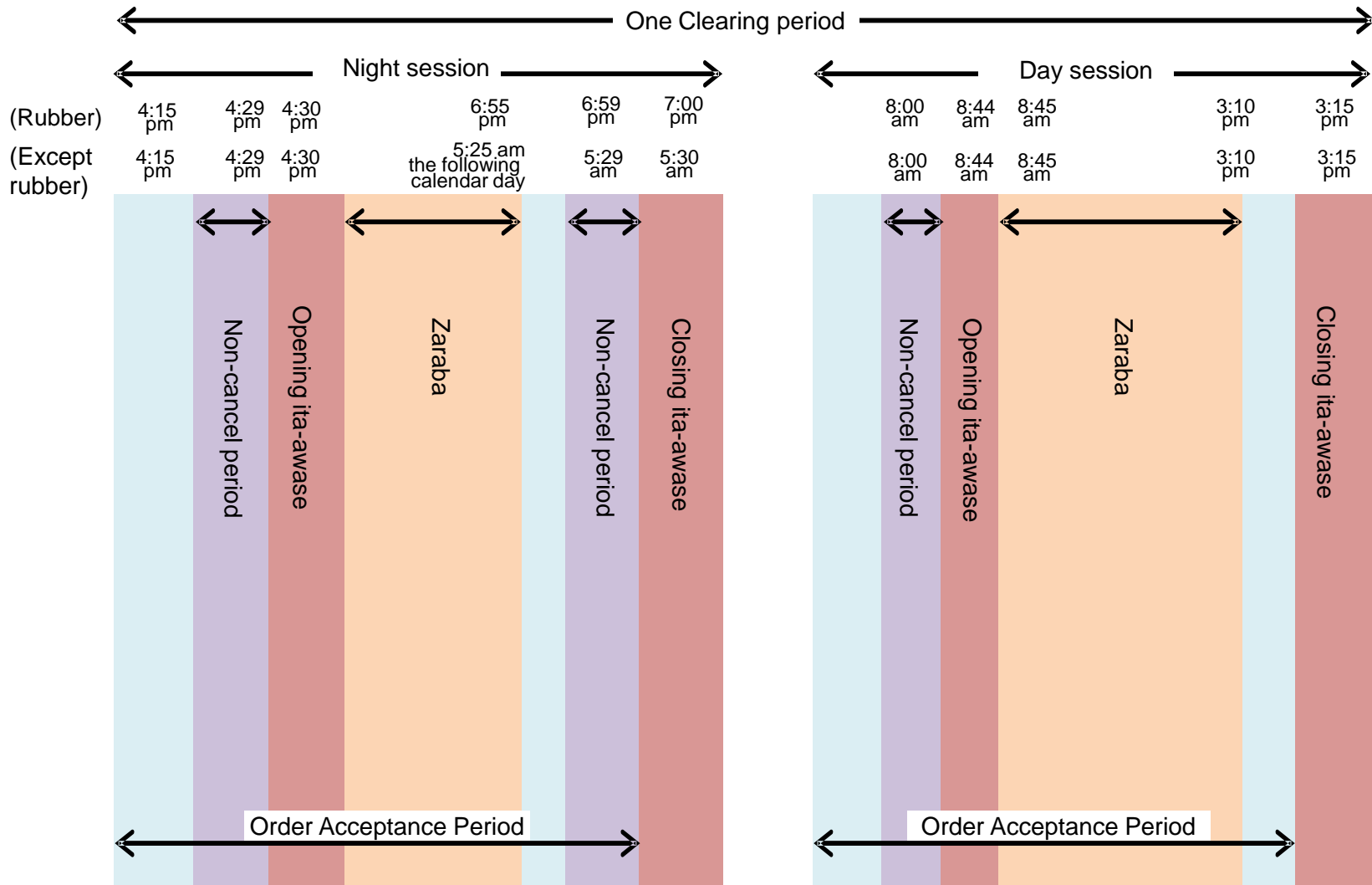
- Trading of Mini ends
- Opening price of day session of last trading day of current contract month of Standard Trading = Final Settlement Price of Mini Trading
- First trading day of new contract month

Introduction of Closing Ita-awase (auction)

- For day sessions, closing ita-awase (auction) will be held at 3:15 pm after a five-minute Order Acceptance Period that starts at 3:10 pm when zaraba (continuous trading) session ends.
- For night sessions, closing ita-awase (auction) will be held at 5:30 am after a five-minute Order Acceptance Period that starts at 5:25 am when zaraba (continuous trading) session ends.
(For Rubber, zaraba ends at 6:55 pm, and closing ita-awase is conducted at 7:00 pm)

Items	New System	Current System	Remarks
Closing ita-awase (auction)	For day sessions -- 3:15 pm For night sessions -- 5:30 am the following calendar day (7:00 pm for rubber)	Not provided	Closing ita-awase (auction) will be conducted for both day sessions and night sessions.
Zaraba (continuous trading) ending time	For day sessions -- 3:10 pm For night sessions -- 5:25 am the following calendar day (6:55 pm for Rubber)	For day sessions -- 3:15 pm For night sessions -- 4:00 am the following calendar day (7:00 pm for Rubber)	Zaraba ends five minutes before the closing ita-awase (auction). During the five minutes until the closing ita-awase, orders are only accepted, not executed.

Reference: Schedule of Opening and Closing Ita-awase (auction)



Changes to Order Types

- Changes will be made to some of the order types under the new system.
- Only orders with prices within the circuit breaker range can be placed.
- Conditional on-close orders (market-on-close order and limit-on-close order) will also be available under the new system.

Order Types	New System	Current System	Remarks
Limit Order (LO)	available	available	
Market Order (MO)	available	available	No guarantee on full execution.
Market To Limit Order (MTLO)	available	available	If there is no order on the opposite side, the order will be cancelled, which is different from the current system order handling mechanism.
Standard Combination Order (SCO)	available	available	Changes include the longest period of order validity, where it will be defined as one clearing period.
Tailor-Made Combination (TMC)	to be newly introduced	n/a	TMC will be available for options trading. Similar to SCOs, TMC orders can be placed by specifying the spread of premiums between an option series.
Best Limit Order (BLO)	to be abolished	available	
Non-Standard Combination Order (NSCO)	to be abolished	available	
Stop Order (SO)	to be abolished	available	

- Conditions that will trigger CB, and the length of CB period will be changed as follows.

Items	New System	Current System
Conditions that will trigger the CB	If TOCOM deems it necessary to do so considering the market conditions	If orders are confronting each other outside the CB Range
Length of CB period	The CB period will be what TOCOM deems necessary considering the market conditions	Five minutes

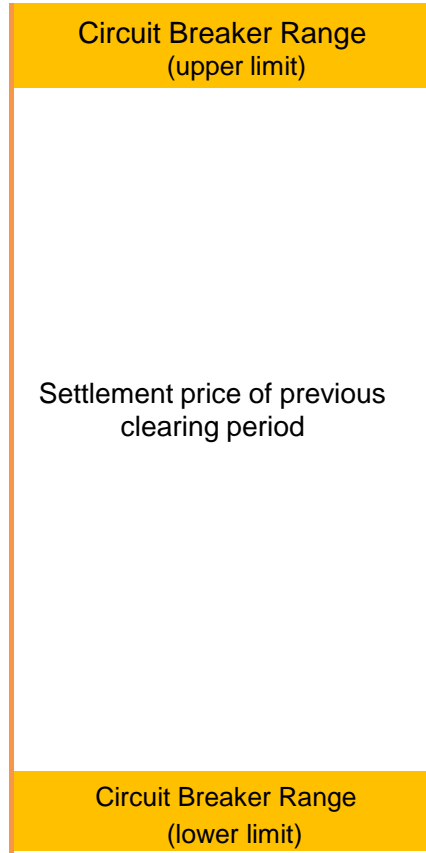
Immediately Executable Price Range will be introduced to maintain price continuity and prevent precipitous price movements.

Immediately Executable Price Range

Description	<ul style="list-style-type: none">• If orders are confronting each other outside the Immediately Executable Price Range, the session will be temporarily suspended for thirty seconds (Dynamic Circuit Breaker [DCB]).• During the DCB period, orders are accepted, and trading will restart with ita-awase (auction)• The Immediately Executable Price Range is set based on the reference price that is, in principle, the latest execution price.
Notes:	<ol style="list-style-type: none">(1) For opening ita-awase (auction) for both day and night sessions, the Immediately Executable Price Range is not set.(2) For closing ita-awase (auction) for both day and night sessions, orders will be executed if the matching price is within the Immediately Executable Price Range.(3) For ita-awase (auction) after DCB period, orders will be executed if the matching price is within the Immediately Executable Price Range.(4) For ita-awase (auction) after a Static Circuit Breaker is triggered, the Immediately Executable Price Range is not set.(5) For FoK, DCB is not triggered.(6) The Immediately Executable Price Range is periodically revised.

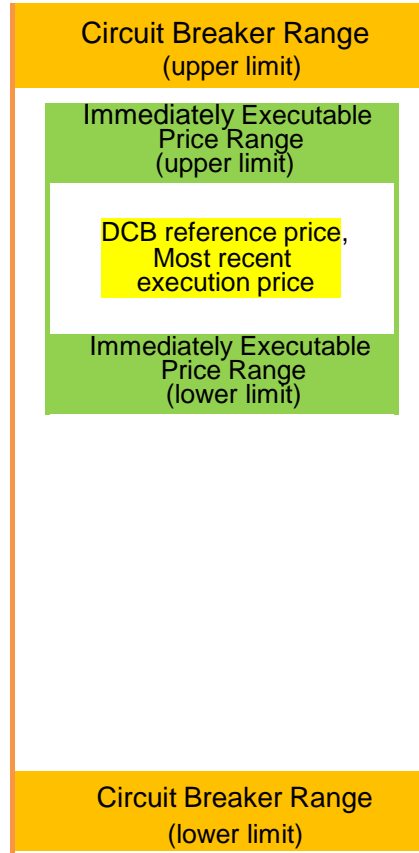
Reference: Concept of Immediately Executable Price Range and Circuit Breaker Range

For opening ita-awase (auction)



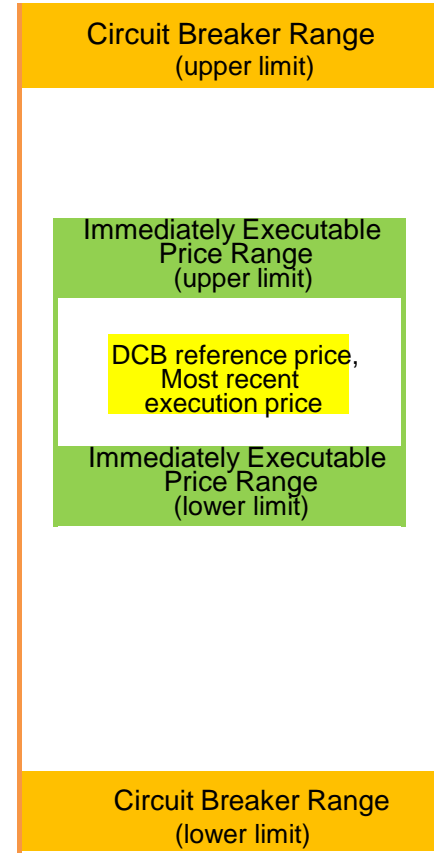
For opening ita-awase (auction), the Immediately Executable Price Range will not be set.

During zaraba (continuous trading)



During zaraba (continuous trading), Immediately Executable Price Range is set based on the most recent execution price as the reference price.

For closing ita-awase (auction)



For closing ita-awase (auction), the Immediately Executable Price Range will be set.

Reference: Immediately Executable Price Range and Circuit Breaker Range

The ranges are set as below for the launch of the new system on September 20, 2016.

The Exchange will continuously monitor the market condition and accordingly implement regular reviews of the ranges accordingly.

Product	Next System		Current System	
	Immediately Executable Price Range	CB Range	CB Range (Initial)	CB Range (During Maximum Expansion)
Gold (Standard, Mini, Rolling Spot, Options)	JPY 40	JPY 800	JPY 150	JPY 600
Silver	JPY 1.0	JPY 30.0	JPY 6.0	JPY 24.0
Platinum (Standard, Mini)	JPY 40	JPY 800	JPY 200	JPY 800
Palladium	JPY 30	JPY 300	JPY 100	JPY 400
Oil / Chukyo-Oil Markets	JPY 400	JPY 10,000	JPY 2,400	JPY 9,600
Rubber	JPY 1.5	JPY 20.0	JPY 5.0	JPY 20.0
Soybean	JPY 500	JPY 4,000	JPY 1,000	JPY 3,000
Azuki (Red Bean)	JPY 100	JPY 700	JPY 350	JPY 700
Corn	JPY 250	JPY 1,500	JPY 500	JPY 1,500

After the regular reviews, the revised “Immediately Executable Price Range” will be applicable from the day session and the revised “CB Range” will be applicable from the night session.

In order to prevent last-minute changes in the auction price from corrections and/or cancellations right before the auction, a non-cancel period (NCP), during which corrections and/or cancellations are prohibited in principle, will be introduced.

Non-cancel Period

Description	In principle, correction/cancellation of orders will not be accepted during the one minute before the start of the auction
Applicable products	All products
Applicable time periods	Day session: 1 minute before the opening auction Night session: 1 minute before the opening auction 1 minute before the closing auction *This does not apply to the closing auction for day session, auction after Circuit Breaker, or auction after DCB.

- In principle, the settlement price will be the closing price.
- In principle, for the last trading day of the current contract month, the volume weighted average price (VWAP) for the day session will be used.
- The settlement price calculations for mini-contracts will remain the same as with the current method. However, the last trading day and the final settlement day will be different due to the changes in the session schedule.

Items		New System	Current System	Remarks
Physically-settled Futures Contracts	Settlement Price (normal day)	Closing price	VWAP of critical calculation period	Change to closing price
	Settlement Price (last trading day of the current contract month)	VWAP of the entire day session	VWAP of critical calculation period	
Gold & Platinum Mini-contracts	Settlement Price (normal day)	Same as the settlement price for a standard contract	Same as the settlement price for a standard contract	
	Settlement Price (last trading day)	Same as the settlement price for a standard contract	Day session opening price for a standard contract on the last trading day of the current contract month (same as final settlement price)	Business day immediately preceding the last trading day of a standard contract for the current contract month
	Final Settlement Price	Day session opening price for a standard contract on the last trading day of the current contract month	Day session opening price for a standard contract on the last trading day of the current contract month	

* If TOCOM deems that the price calculated in the above manner is not appropriate, the price shall be the one designated by TOCOM.

Item		New System	Current System	Remarks
Gold Rolling Spot Futures	Settlement Price	Theoretical Price	Theoretical Price	
Gold Options	Settlement Price	Normal Day (a) Execution price of the closing ita-awase of day session (b) If (a) does not exist, Theoretical Price	Theoretical Price	Execution price during Zaraba will not be referenced
		Last Trading Day (a) Execution price of the closing ita-awase of day session (b) If (a) does not exist, Theoretical Price	Theoretical Price	Same as Normal Day
	Final Settlement Price	Opening price of day session of the last trading day of Gold Standard current contract month	(Exercised positions will move to Gold Standard)	
Crude Oil Futures	Settlement Price	Normal Day Closing Price	VWAP of Calculation Time Period	Changed to Closing Price
		Last Trading Day Closing Price	VWAP of Calculation Time Period	Same as Normal Day
	Final Settlement Price	Average price of Dubai Crude Oil of the applicable contract month.	Average price of Dubai Crude Oil of the applicable contract month.	

* If TOCOM deems that a particular price calculated as above is not appropriate, the price would be as specified by TOCOM.

- A new feature is that they will be European-type options. For positions exercised on the final settlement day, the positions will be settled in cash instead of being exchanged for the underlying commodity.
- Leverage will be changed from 1,000 times to 100 times to make it more attractive for retail investors.

Items	New System	Current System
Type	European type	American type
Final settlement method	For in-the-money options, automatically exercised (price differential settlement) * options could be abandoned	If exercised, the position is transferred to the standard gold position.
Trading unit	100 g	1 kg (1,000 g)
Contract month	6 contract-month system	2 or 3 contract-month system
Series setting	There will be at least 20 strike prices above and below the central strike price (meaning at least 41 strike prices)	There are at least 5 strike prices above and below the central strike price (meaning at least 11 strike prices)

Changes to Contract Specifications of Gold Option Transactions

	New System	Current System
Transaction type	Options transaction (European type)	Options transaction (American type)
Trading hours	<p>[Day session]</p> <p>Opening Auction 8:45 am</p> <p>Continuous Trading 8:45 am–3:10 pm</p> <p>Closing Auction 3:15 pm</p> <p>[Night Session]</p> <p>Opening Auction 4:30 pm</p> <p>Continuous Trading 4:30 pm–5:25 am the following day</p> <p>Closing Auction 5:30 am the following day</p>	<p>[Day session]</p> <p>9:00 am–3:15 pm</p> <p>[Night session]</p> <p>4:30 pm–4:00 am the following day</p>
Contract unit	100 grams	1 kilogram
Minimum price fluctuation	JPY 1 / gram	JPY 1 / gram
Contract months	6 contract months that are even-numbered months within a 12 month period starting from the month immediately following the month containing the First Trading Day of a new contract month	2 or 3 contract months that are even-numbered months within a 6 month period starting from the month immediately following the month containing the First Trading Day of a new contract month
Listing of strike prices	<p>[Initial Setting]</p> <p>20 consecutive strike prices above and below the strike price closest to the settlement price of the underlying asset on the first trading day of a new contract.</p> <p>[Additional Setting]</p> <p>New strikes will be added to maintain at least 20 strike prices above and below the strike price closest to the settlement price of the underlying asset for the contract month.</p>	<p>[Initial Setting]</p> <p>5 consecutive strike prices above and below the strike price closest to the settlement price of the underlying asset on the preceding business day.</p> <p>[Additional Setting]</p> <p>New strikes are added to maintain at least 5 strike prices above and below the strike price nearest to the settlement price of the underlying asset for the contract month.</p> <p>New strike prices are not set using the settlement price after the fifth calendar day prior to the last trading day.</p>
Strike price interval	JPY 50	JPY 50

	New System	Current System
First trading day of a new contract month	Day session on the business day of the First Trading Day of a New Contract Month of the underlying	Day session on second business day following the First Trading Day of a New Contract Month of the underlying
Last trading day	Day session on the business day immediately preceding the last trading day of the current contract month of the underlying futures	Day session on the last business day of the month preceding the month which contains the last trading day of the current contract month of the underlying futures
Final settlement day (SQ day)	The Last Trading Day of the Current Contract Month for the underlying futures	—
Final settlement price	Day session opening price of the underlying futures on its last trading day of the current contract month	—
Settlement price	(1) Execution price of closing auction for the day session; (2) If there is no price for (1), the theoretical price	Theoretical price in principle
Settlement method	[Until the Last Trading Day] Resale/repurchase [Final Settlement Day (SQ day)] Price differential settlement or unexercise	—
Exercise timing	Only on the Final Settlement Day (European type)	From the First Trading Day of a new contract month until the Last Trading Day (American type)
Exercise and assignment	For in-the-money options, automatic exercise. However, it may be waived. * If waived, random assignment will be made to short positions on the final settlement day. (Out-of-the-money and at-the-money options are automatically waived)	If a options is exercised, it is randomly assigned to short positions.
Immediately executable price range	Set using the most recent execution price (if there is no such price, the settlement price of the previous day).	—
CB range	The CB trigger level is to be set everyday at the start of a night session based on the settlement price of the previous clearing period (or the theoretical price, in case of a new contract month)	The CB trigger level is to be set everyday at the start of a night session based on the settlement price of the previous clearing period (or the settlement price of the closest contract month, in case of a new contract month)

Reference: Migration of Contract Months on Gold Options

		2016											
		January	February	March	April	May	June	July	August	September	October	November	December
2016	February contract month	Last day of January Last trading day											
	April contract month			Last day of March Last trading day									
2017	June contract month					Last day of May Last trading day							
	August contract month		February 26 First trading day of a new contract month					Last day of July Last trading day					
2018	October contract month				No first trading of a new contract month					September x First trading day of a new contract month	October 25 Last trading day		
	December contract month					No first trading of a new contract month				September x First trading day of a new contract month			December 21 Last trading day
2019	February contract month								No first trading of a new contract month	September x First trading day of a new contract month			
	April contract month									September x First trading day of a new contract month			
2020	June contract month									September x First trading day of a new contract month			
	August contract month									September x First trading day of a new contract month			
2021	October contract month										October 29 First trading day of a new contract month		
	December contract month												December 27 First trading day of a new contract month

