

# TFX OUTLOOK 2007



## About TFX, Home Market for Euroyen

Tokyo Financial Exchange (TFX) has been widely known as the home market for Euroyen futures to a wide range of domestic and international investors since its foundation in 1989. In addition, Euroyen options have been traded since 1991 to accommodate further needs of investors.

TFX has been Japan's most innovative exchange and adding worldwide standard functions to its operations. To meet the diversified needs of investors, TFX has listed 5 year ¥ Swapnote™, 10 year ¥ Swapnote™ and Exchange FX Margin Contracts.

In April 2004, TFX demutualized to more readily adapt to rapidly changing market conditions and user needs. TFX continues to reinvent its infrastructure to improve market environment.

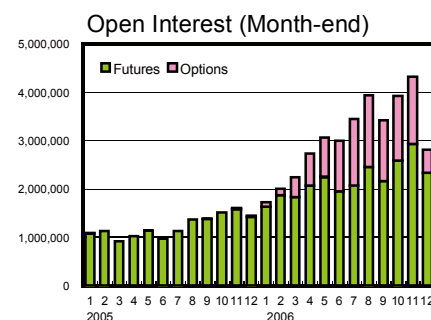
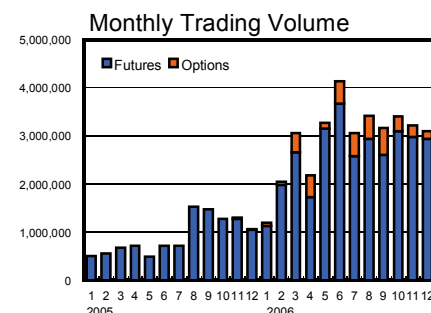
## Market Overview of Euroyen

Bank of Japan (BOJ) has decided to lift an ultra-easy monetary policy in March, 2006 and zero interest rate policy in July, 2006. Now, the Japanese economy and financial markets has been recovering from a long-time deflation for years after a collapse of bubble-economy.

In 2006, the trading volume of Euroyen futures and options has been dramatically growing on the strength of the recent economic development.

Under such circumstances, Euroyen serves extremely well as tool of a financial risk control and the demand for the contract is boosted.

	06' Annual Volume	Year-to-year Comparison
<u>Euroyen futures</u>	31,495,084	( + 187 % )
<u>Euroyen Options</u>	3,976,697	( + 9,551 % )



## Edges of TFX, 90 % Euroyen Share among World Exchanges

TFX is the world's largest market for Euroyen and called as "Mother Market for Euroyen". As the growth of worldwide Euroyen trading expands, the TFX's market share is rapidly increasing with TFX's edges.

The edges of TFX market are:

- A number of clearing members with wealth of resources
- Availability of world standardized facilities and systems such as SPAN® and Give-ups
- Enhanced architecture and trading facility supported by LIFFE CONNECT™

## New Strategies of TFX

Jiro Saito, President & CEO of TFX, expressed future strategies of the exchange at a press conference held in Japan in November 2006. These strategies attempt to increase the level of convenience and provide more liquidity to TFX Euroyen market.

### 1. Extension of Trading Hours

To provide a convenience for foreign investors, trading hours of Euroyen will be extended by two hours until 20:00 (JPN, 11:00 LDN) , to be planned on 5th February, 2007.

### 2. Vitalization of Euroyen Option Market

To increase further liquidity and convenience of Euroyen Option market, a new market-maker scheme will be launched on 29th January, 2007. Introduction of market maker scheme will contribute to facilitate strategy trades of options as well as the outright trades with the current advanced technology functions of implied-in/out.

### 3. Upgrading of Trading Architecture

TFX plans to upgrade the trading system and the whole system architecture to the most advanced level in the world. This will enhance a convenience of TFX market and keep a stability for processing increasing incoming orders.

Implementation of advanced IT technologies will significantly enhance a speed and capacity of system processing. In the strategic plan, the new system will be able to process up to 6 million incoming orders in a day, which is about 300 times as many as the current one. The go-live date of the new enhanced system is targeted in April, 2008.

### 4. Improvement of Trading Procedures

In order to improve a diversified trading method and harmonize a worldwide standard procedure, the matching algorithm will be changed from the current "price-time priority" principle to "pro-rata" principle, to be planned in 2008.

In a similar view of harmonization among global exchanges, TFX has changed conditions to approve execution of Block Trades in November 2006. Now, block trades with "a fair and reasonable price" can be executed.

### 5. Establishment of Global Network, Support of ISVs

TFX plans to establish a new dedicated line network. At present, the connection between TFX and the trading members is limited to use of an exclusive line. The construction of TFX' s dedicated line network will enhance connectivity and flexibility to TFX market. Moreover, overseas hubs will be set up to promote access from foreign investors.

To support diversified range of connectivity to TFX market, TFX prompts to support ISVs. The restriction that ISVs retain ISV' s branch or office in Japan was eliminated in September, 2006. Many overseas ISVs will access TFX market, in addition to GL Trade and Patsystems.

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