

Outline for Three-month TONA futures

March 20 2023
Revised January 4 2024
Tokyo Financial Exchange Inc.

Item	Description	Remarks
<p>I. Trading</p> <p>1. Definitions</p> <p>(1) Three-month TONA futures</p>	<ul style="list-style-type: none"> • A “Three-month TONA futures” is a market derivatives transaction, which quotes the financial index indicated as 100 minus the figure of an interest rate per annum as compounded daily Uncollateralized Overnight Call Rate (TONA) interest during the “Reference Quarter”; TONA shall be published by the Bank of Japan (BOJ). • “Reference Quarter” shall be, for a given contract month, the interval that ends on (but excluding) the third Wednesday of the calendar month in which the last trading day falls (“delivery month”) and begins on (and including) the third Wednesday of the calendar month preceding the delivery month by three months; provided however, that if the third Wednesday of the delivery month is a Japanese bank holiday, the interval ends on (but excluding) the immediate following Japanese bank business day and if the third Wednesday of the third calendar month preceding the delivery month is a Japanese bank holiday, it begins on (and including) immediately following Japanese bank business day. • “TONA” shall be the interest rate of Uncollateralized Overnight Call Rate for a business day expressed as “average” in percentage and published by BOJ on the following business day as the final result. • In calculating compounded interest, for any holiday belonging to the Reference Quarter, the TONA for the immediately preceding business day shall be applied to each holiday as simple interest rate (not compounded one). • “An interest rate per annum” is a percentage value of the compounded daily interest divided by the number of calendar days included in the Reference Quarter and multiplying by 365 	<ul style="list-style-type: none"> • A “market derivatives transaction” defined in Article 2(21) (ii) of Financial Instruments and Exchange Act (Act No.25, 1948, hereinafter called the “ACT”). (example) Reference Quarter for the contract month June 2023 shall be: From (and including) June 21 2023 (Wed) to (but excluding) September 20 (Wed) • Please refer to Appendix for details.

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<p>2. Contract month</p> <p>(1) Listed Contract Months</p> <p>(2) Period</p> <p>(3) First Trading Day</p> <p>(4) Last Trading Day</p> <p>3. Matching Algorithm</p> <p>4. Trading Hours</p>	<p>(round off to the third decimal place).</p> <ul style="list-style-type: none"> • 20 contract months, each final settlement date being the business day immediately following the business day on which there occurs the day session of the last trading day. • The period of 5 years shall be applied to the contract months for which their respective final settlement dates fall in any of March, June, September and December (quarterly month). • The first trading day of each contract month is the trading day immediately following the last trading day for the then first expiring contract month, and such new contract month shall become available for trading from the opening of its first trading day's day session. • The last trading day shall be the trading day, the day session of which occurs on the third Wednesday (if such day falls on a Japanese bank holiday, the day immediately following such day which is a Japanese banking day) of March, June, September or December. • The matching of the trades is based on the auction method. • Day session: 8:45-15:30 (no trade-matching between 11:30-12:30 on each trading day), save that the last trading day's Day session is 8:45-9:30. • Evening session: 15:30-20:00 (no trade-matching on the last trading day of the contract month 	<ul style="list-style-type: none"> • A "trading day" shall be a period commencing on the opening of the evening session that starts after the day session on the business day immediately preceding a specific business day and ending on the close of the day session that starts on such specific business day. (example) • Last Trading Day for the contract month June 2023 shall be September 20 (Wed), traded until 9:30. • The auction method means the trade shall be executed on an individual auction basis. • There is a pre-open session (session only for quote acceptance; no matching), which is 15 minutes prior to market open of the day

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<p>5. Trading Unit, etc.</p> <p>(1) Trading Unit</p> <p>(2) Bid/Offer</p> <p>6. Trading Member</p> <p>II. Clearing</p> <p>1. Margin</p>	<p>which reaches the last trading day.)</p> <ul style="list-style-type: none"> • 1 Basis point value (price fluctuation of 0.01) = 2,500 yen • Order types are Limit Order and Market Order. • Bid/Offer is quoted to the third decimal place (indicated by an integral multiple of 1/1000). • Minimum price fluctuation of bids and offers is 0.001 (0.1 tick = 250 yen). <ul style="list-style-type: none"> • An Entity that intends to trade Three-month TONA futures shall obtain the “Japanese Yen Interest Rate Trading Membership” or “Japanese Yen Interest Rate Remote Trading Membership” as the case may be. <ul style="list-style-type: none"> • The amount of margin requirement for customer trades and member’s proprietary trade are calculated using SPAN®. • The margin for Three-month TONA futures using SPAN® may be reduced by netting of risk arising from other Interest Rate Futures contracts on TFX. 	<p>session.</p> <ul style="list-style-type: none"> • TFX may change trading hours on a temporary basis when it finds necessary. <ul style="list-style-type: none"> • During the Pre-open period, a Market order shall always be submitted with “On-Open” modifier. • TFX may reject any bid or offer when TFX finds such reject necessary to ensure a fair market and the trading system’s stable operation. • Maximum order volume Trading Member can submit in a single order is 99,999 lots. <ul style="list-style-type: none"> • SPAN® used herein is a registered trademark of Chicago Mercantile Exchange Inc. and used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN® by any person or entity.

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<p>2. Mark-to-market</p>	<ul style="list-style-type: none"> • The cash amount of the mark-to-market is calculated based on the daily settlement price on each trading day, and such amount is exchanged between TFX and Clearing Members on the next trading day. • Mark-to-market between Non-Clearing Members and Clearing Members are to follow the method used between Clearing Members and TFX. 	<ul style="list-style-type: none"> • The mark-to-market amount is the amount calculated comparing the daily settlement price and the matched price for trades made on that day, and the amount calculated comparing the daily settlement price of the day and the previous day's daily settlement price for open interest.
<p>3. Daily Settlement Price</p>	<ul style="list-style-type: none"> • The daily settlement price is the volume-weighted average of the contract prices and traded volumes (excluding the contracts executed by strategy trades) executed by auction method during a specific time period. 	<ul style="list-style-type: none"> • The "Indicative Period" shall be a specific period determined by the Exchange from time to time as necessary, which shall fall within the period from the opening of the relevant trading day's evening session to the close of the same trading day's day session. • In case there is no contract price for a contract month during the Indicative Period, or, in case the Exchange deems the Daily Settlement Price calculated as aforesaid to be inappropriate, the Exchange shall determine another figure deemed appropriate by the Exchange as the Daily Settlement Price.
<p>4. Cash Settlement Variation</p>	<ul style="list-style-type: none"> • For settlement relating mark-to-market between Clearing Members and TFX, Clearing Members to pay due to cash settlement variation must pay the amount to TFX by 11AM of the next business day; recipient of cash settlement variation receives the amount from TFX after 2PM of the next business day. 	

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	<ul style="list-style-type: none"> • Cash settlement variation for mark-to-market between Non-Clearing Members and Clearing Members are to perform the equal process according to the mark-to-market between Clearing Members and TFX. 	
5. Open Interest	<ul style="list-style-type: none"> • Unsettled positions by the execution of orders are recognized as open interest. 	
6. Offset Trades	<ul style="list-style-type: none"> • When a Trading Member makes a purchase contract (hereinafter called “Repurchase”) in order to close out a short position or makes a sale contract (hereinafter called “Resale”) in order to close out a long position, that Member is to notify TFX of the classification of Resale or Repurchase and its volume by 5PM of the business day (by 4PM as to the last trading day of a contract month). TFX will reduce the notified quantity from the Member’s open interest (in the case of a Non-Clearing Member, the open interest of its designated Clearing Member) for settlement. 	<ul style="list-style-type: none"> • There are 2 ways to notify offset trades: <ol style="list-style-type: none"> (1) Individual notification (make separate notifications for each trade) (2) Bulk notification (make collective notifications by contract month and proprietary/customer account)
7. Final Settlement	<ul style="list-style-type: none"> • For each contract month, open interest not offset by the last trading day will be processed by final settlement using a determined cash settlement value (“final settlement price” hereinafter) for settlement. 	
(1) Final Settlement Price	<ul style="list-style-type: none"> • The figure calculated by “Financial Index Calculation Methodologies for Three-month TONA futures” in Appendix. 	<ul style="list-style-type: none"> • The final settlement price is announced at 1PM in principle.
(2) Cash Settlement of Final Settlement	<ul style="list-style-type: none"> • For trades matched on the last trading day, when there is a difference between the final settlement price and the matched price of the trade; and for open interest, when there is a difference between the final settlement price and the previous day’s settlement price, the Clearing Member is to pay to (or receive from) TFX the amount difference on the last settlement day. • The method of final settlement between Non-Clearing Members and Clearing Members are to follow the method used between Clearing Members and TFX. 	

Item	Description	Remarks
8. Settlement between Trading Member and Customer	<ul style="list-style-type: none"> • The cash amount to be settled between Trading Members and their customers are as follows: <ol style="list-style-type: none"> (1) Settlement by Offset The cash amount calculated from the difference between the matched price of sales contracts or the matched price of purchase contracts. (2) Final Settlement Price The cash amount calculated from the difference between the final settlement price and the matched price of long or short position • When a customer's settlement results in overall loss, the cash amount of such loss is to be paid by the Customer to the Trading Member within the timeframe specified below. <ol style="list-style-type: none"> (1) Settlement by Offset Date and time specified by the Trading Member which falls before the second business day which the day session the offset trade was executed belongs. (2) Final Settlement Date and time specified by the Trading Member which falls before the business day subsequent to the Final Settlement Day of each contract month. 	
9. Clearing Member	<ul style="list-style-type: none"> • An entity that intends to act as a counterparty in the financial futures obligation assumption business for Three-month TONA futures shall obtain Interest Rate Futures Clearing Membership. 	
III. Fees		
1. Per-contract Exchange fee	<ul style="list-style-type: none"> • Per-contract Exchange Fee is 100 yen in principle. 	<ul style="list-style-type: none"> • Consumption tax, etc. is charged in addition.
2. Brokerage Commission	<ul style="list-style-type: none"> • The amount and method of payment of brokerage commission charged to a customer by a Trading Member shall be negotiated and agreed beforehand between such customer and such Member. 	

Item	Description	Remarks
4. Market Maker Program	<ul style="list-style-type: none"> Three-month TONA futures is included as the designated products under the Market-Making program. 	

- The originals of this outline of rules have been prepared in the Japanese language only and the Japanese language texts shall govern for all purposes and in all respects. Accordingly, all questions that may arise within or without courts of law in regard to the meaning of the words, provisions and stipulations of the rules, regulations and agreements shall be decided in accordance with the Japanese language texts. Whilst reasonable care has been taken to ensure that these translations are accurate and free from errors, no liability is accepted by TFX in any circumstances.

Financial Index Calculation Methodologies for Three-month TONA futures

Financial Index = 100 – R

$$R = [\prod_{i=1}^n \{ 1 + (r_i/100) \times (d_i/365) \} - 1] \times (365/D) \times 100$$

n : The number of business days in the Reference Quarter

i : As for each business day in Reference Quarter (“reference business day”), a series of whole numbers, each representing “i”th reference business day in chronological order from the first reference business day in the Reference Quarter”.

Π : Capital pi (Π) indicates the terms to be compounded.

(example) $\prod_{i=1}^n \alpha_i = \alpha_1 \times \alpha_2 \times \alpha_3 \times \dots \times \alpha_n$

r_i : The value of Uncollateralized Overnight Call Rate (TONA) for “i”th reference business day, which is expressed as “average” in percentage and published by the Bank of Japan (BOJ) on the following business day as the final result

(example) If the value of TONA for an applicable reference business day is 0.019%, then r_i = 0.019

d_i : The number of calendar days during Reference Quarter to which r_i applies.

Any calendar day that is not a business day (i.e., weekend days, holidays) shall be included in “d_i” and for such days, r_i for the reference business day immediately preceding the calendar day shall apply.

(examples) If “i”th reference business day is a Monday, a Tuesday, a Wednesday, or a Thursday, and the following calendar day is a business day, then d_i = 1.
(i.e. r_i applies for 1 calendar day)

If “i”th reference business day is a Friday and the following Monday is a business day, then d_i = 3.
(i.e. r_i applies for 3 calendar days.)

D : The number of calendar days in Reference Quarter $\sum_{i=1}^n d_i$

The value of R is rounded to 3rd decimal place.