

## Outline for Spot-Next Repo Rate Futures

Jun. 21, 2010

TFX

Items	Description	Remarks
<p><b>I . Trading</b></p> <p><b>1 . Definition</b></p>	<ul style="list-style-type: none"> <li>• The Spot-Next Repo Rate Future is a futures contract, which quotes an index indicated as 100 minus the average GC Spot-Next Repo Rate released by the Bank of Japan (BOJ) over the “Designated Intermeeting Period” .</li>   <li>• The Exchange shall determine and publish the Designated BOJ MPM dates before the first trading day of each contract month.</li> <li>• The Exchange may change the Designated BOJ MPM dates due to any change of Scheduled Dates of BOJ MPMs published by the BOJ or due to any other unavoidable reason. However, after the first trading day of each contract month, the Exchange shall not change the Designated BOJ MPM dates pertaining to the said contract month.</li> </ul>	<ul style="list-style-type: none"> <li>• GC (General Collateral) Repo transaction is the transaction in borrowing and lending JGB without specifying the bonds’ issues.</li> <li>• Starting date of the Spot-Next rate is the second business day after the traded day (T+2), and the ending date is the next business day of the traded day (T+3).</li> <li>• The “Designated Intermeeting Period” is the period from the business day following the last day of a certain Designated BOJ Monetary Policy Meeting to the last day of the next Designated BOJ Monetary Policy Meeting Dates.</li> <li>• ”Designated BOJ Monetary Policy Meeting dates” are dates the Exchange shall determine in accordance with the Scheduled Dates of the Monetary Policy Meetings published by the BOJ.</li> <li>• “BOJ Monetary Policy Meeting(MPM)” is a meeting for matters listed in Article 15, Paragraph 1, of the Bank of Japan Act.</li> <li>• For the purpose of computing the rate of any non-business day, the rate of the last business day shall be used.</li> <li>• Index rate of GC Repo transaction is</li> </ul>

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<p><b>2. Contract Months</b></p> <p><b>(1) First Trading Day</b></p> <p><b>(2) Last Trading Day</b></p>	<ul style="list-style-type: none"> <li>The first trading day of a new contract month is the first business day following the last trading day of the contract month whose settlement day arrives soonest. Trading in the new contract month will commence at the start of the day session of this first trading day</li> <li>The last trading day of each contract month is two business days prior to the last business day (not counting Japanese bank holiday) of the Designated BOJ MPM dates.. The next (or second) business day (not counting Japanese bank holiday) of the last trading day is the</li> </ul>	<p>scheduled to be published by the BOJ some time early in the second half of fiscal year 2007. However, this rate may be made and published by the other association or group of market participants in the future.</p> <ul style="list-style-type: none"> <li>With the current Scheduled Dates of the Monetary Policy Meetings, Designated BOJ MPM dates are as follows:</li> </ul> <table border="1" data-bbox="1599 528 2123 1038"> <thead> <tr> <th data-bbox="1599 528 1861 619">Calendar month</th> <th data-bbox="1861 528 2123 619">Designated BOJ MPM dates</th> </tr> </thead> <tbody> <tr> <td data-bbox="1599 619 1861 831">1-3, 5-9,11,12</td> <td data-bbox="1861 619 2123 831">The same dates as the dates of the scheduled BOJ MPMs held in each calendar month</td> </tr> <tr> <td data-bbox="1599 831 1861 1038">4,10</td> <td data-bbox="1861 831 2123 1038">The same dates as the dates of the former meeting in the BOJ MPMs held twice in these months.</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>A “trading day” commences at the opening of the evening session that starts after the day session on the business day immediately preceding a certain business day.</li> <li>The settlement day depends on the BoJ's decision what time index rate of GC Repo transactions is published.</li> </ul>	Calendar month	Designated BOJ MPM dates	1-3, 5-9,11,12	The same dates as the dates of the scheduled BOJ MPMs held in each calendar month	4,10	The same dates as the dates of the former meeting in the BOJ MPMs held twice in these months.
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<b>(3) Listed Contract Month</b>  <b>(4) Period</b>  <b>3. Matching Algorithm</b>  <b>4. Trading Hours</b>  <b>5. Trading Unit, etc</b> <b>(1) Trading Unit</b> <b>(2) Bid/Offer</b>	<ul style="list-style-type: none"> <li>• The Exchange shall from time to time modify the number of the listed contract months according to changes in the information released by the BOJ regarding the schedule of MPMs.</li> <li>• The Exchange shall from time to time determine the trading period for each contract month according to the number of the listed contract months.</li> <li>• The matching of the trades is based on a competitive auction on an electronic trading system.</li> <li>• Day session: 8:45-15:30 (no trade-matching during the period between 11:30-12:30. 8:45-11:00 on the last trading day of the contract month which reach the last trading day.)</li> <li>• Evening session: 15:30-20:00 (no trade-matching on the last trading day of the contract month which reaches the last trading day.)</li> <li>• 300,000,000 yen</li> <li>• Order types are Limit Order, Market Order, or Market on Open ( ‘MOO’ ) Order.</li> <li>• Bid/Offer is quoted to the third decimal place (indicated by an integral multiple of 5/1000).</li> <li>• Minimum fluctuation is 0.005 (0.005 = 1,250 yen).</li> </ul>	<ul style="list-style-type: none"> <li>• As of June 2010, the number of the listed contract months will be 6.</li> <li>• As of June 2010, the trading period for each contract month at the time of listing will be approximately 6 months.</li> <li>• There is a pre-open session (session only for quote acceptance; no matching), which is 15 minutes prior to the market open of the day session.</li> <li>• TFX may change trading hours on a temporary basis when it is deemed necessary.</li> </ul>

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<b>(3) Price limit</b>	<ul style="list-style-type: none"> <li>When necessary, TFX can reject the acceptance of order submission.</li> </ul>	<ul style="list-style-type: none"> <li>TFX does not intend to set a price limit scheme for some time to come.</li> <li>Rejection of orders occur under the following situations: <ul style="list-style-type: none"> <li>When the price of order is outside a certain range set around a reference price regularly set by TFX.</li> <li>When TFX finds necessary to maintain a fair market, stability of trading system, or other situations that TFX finds appropriate.</li> </ul> </li> </ul>
<b>II. Margin</b>  <b>III. Mark-to-Market</b> <b>1. Mark-to-Market</b>          <b>2. Daily Settlement Price</b>	<ul style="list-style-type: none"> <li>The margin amount for customer trades and members' proprietary trade are calculated using SPAN<sup>®</sup>.</li> <li>The margin for Spot-Next Repo Rate Futures using SPAN<sup>®</sup> may be reduced by netting of risk arising from other listed contracts on TFX.</li> </ul> <ul style="list-style-type: none"> <li>The cash amount of the mark-to-market is calculated based on the daily settlement on each trading day, and such amount is exchanged between TFX and Clearing Members on the next trading day.</li> <li>Mark-to-market between Non-Clearing Members and Clearing Members are to follow the method used between Clearing Members and TFX.</li> </ul> <ul style="list-style-type: none"> <li>The daily settlement price is the volume-weighted average of the contract prices and traded</li> </ul>	<ul style="list-style-type: none"> <li>SPAN<sup>®</sup> is a registered trademark, used by TFX under license. CME assumes no liability in connection with the use of SPAN<sup>®</sup> by any person or entity.</li> </ul> <ul style="list-style-type: none"> <li>The mark-to-market amount is the amount calculated comparing the daily settlement price and the matched price for trades made on that day, or the amount calculated comparing the daily settlement price of the day and the previous day's daily settlement price for open interest.</li> </ul>

Items	Description	Remarks
<b>3 . Cash Settlement Variation</b>	<p>volumes (excluding the contracts executed by strategy trade) executed by auction method during a specific time period.</p> <ul style="list-style-type: none"> <li>• 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; receivers of cash settlement variation receive the amount from TFX after 2PM of the next business day.</li> <li>• 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.</li> </ul>	
<b>IV . Open Interest and Settlement</b>  <b>1 . Open Interest</b> <b>2 . Offset Trades</b>  <b>3 . Final Settlement</b>  <b>(1) Final Settlement Price</b>	<ul style="list-style-type: none"> <li>• New open positions by the execution of orders are recognized as open interest.</li> <li>• When a Trading Member executes a buy in or sell out order, that Member is to notify TFX by 5PM of the business day. 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.</li> <li>• 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.</li> <li>• The final settlement price is 100 minus the average GC Spot-Next Repo Rate released by the BOJ over the Designated Intermeeting Period of the contract month rounded to the nearest 3<sup>rd</sup> decimal place.</li> <li>• The average GC Spot-Next Repo Rate released by the BOJ over the Designated Intermeeting Period is calculated as follows. <ul style="list-style-type: none"> <li>a) Add each day's daily announced starting rate of the contract month; and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• There are 2 way to notify offset trades: <ul style="list-style-type: none"> <li>(1) individual notification (make separate notifications for each trade)</li> <li>(2) bulk notification (make collective notifications by contract month and proprietary/customer account)</li> </ul> </li> </ul>

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<p><b>(2) Cash Settlement of final settlement</b></p>	<p>b) Divide by the number of the days for contract month.</p> <p>For days which are not business days, the rate used in computing the average rate is the starting GC Spot-Next Repo Rate released on the last business day.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The method of final settlement between Non-Clearing Members and Clearing Members are to follow the method used between Clearing Members and TFX.</li> </ul>	
<p><b>4 . Settlement between Trading Member and Customer</b></p>	<ul style="list-style-type: none"> <li>• The cash amount to be settled between Trading Members and their customers are as follows: <ul style="list-style-type: none"> <li>(1) Settlement by Offset <p>The cash amount calculated from the difference between the matched price of sales contracts or the matched price of purchase contracts.</p> </li> <li>(2) Final Settlement <p>The cash amount calculated from the difference between the final settlement price and the matched price of long or short positions.</p> </li> </ul> </li> <li>• When a customer's settlement results in overall loss, the cash amount is to be paid to the Member within the timeframe specified below: <ul style="list-style-type: none"> <li>(1) Settlement by Offset <p>Date and time specified by the Member which falls before the second business day of the business day which the day session the offset trade was executed belongs.</p> </li> <li>(2) Final Settlement <p>Date and time specified by the Member which falls before the business day subsequent to the Final Settlement Day of each contract month.</p> </li> </ul> </li> </ul>	

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<b>V. Per-contract Exchange Fee</b>  <b>VI. Brokerage Commission</b>  <b>VII. Trading Member</b>  <b>VIII. Clearing Member</b>	<ul style="list-style-type: none"> <li>• Per-contract Exchange Fee is 100yen.</li> <li>• The amount and method of payment of brokerage commission from customer to Trading Member due to trade brokerage is to be executed according to what has been decided beforehand between corresponding Member and the corresponding customer.</li> <li>• Euroyen Futures Trading Member can trade Spot-Next Repo Rate Futures.</li> <li>• By obtaining Interest-rate etc. Financial Futures Clearing Membership, the member can act as counterparty in the financial futures obligation assumption business for Spot-Next Repo Rate Futures.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumption tax, etc. is charged in addition.</li> <li>• In order to trade Spot-Next Repo Rate Futures, one must obtain Euroyen Futures Trading Membership.</li> <li>• As to other items concerning Interest-rate etc. Financial Futures Clearing Members, current exchange rules are adopted.</li> </ul>
<b>IX. Others</b>  <b>1. Strategy Trades</b>  <b>2. Block Trades</b>  <b>3. Give-up Trades</b>	<ul style="list-style-type: none"> <li>• Strategies are allowed for Spot-Next Repo Rate Futures.</li> <li>• Members who want to execute a block trade can apply during trading hours excluding the 15 minutes prior to market close.</li> <li>• Minimum volume for a block trade is 250 contracts.</li> <li>• Give-up trades are available for Spot-Next Repo Rate Futures.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy trade is a trade whereby the multiple sale contracts and/or purchase contract are all simultaneously executed, each type of combination of the multiple contracts being separately specified by TFX.</li> <li>• Block trades are, with prior application to TFX, having buy and sell orders of the same contract month simultaneously executed outside competitive auction.</li> <li>• Give-up trades are having a Clearing Member other than the Executing Member (Member who executed the trade) clear the same trade.</li> </ul>

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