



August 17, 2020

Regarding the PTS System Incident on June 1

We sincerely apologize for the inconvenience experienced by trading participants and market participants caused by the system incident of the PTS Trading System (“CTS”) on June 1st, 2020. This is a report on the cause of the incident and steps we will implement to prevent recurrence. The Commissioner of Financial Services Agency of Japan has ordered a report on the incident according to the Article 56-2-1 of Financial Instruments and Exchange Act which has been submitted today.

Background

On May 30th, Chi-X Global Technology Philippines (CXGT-P), an affiliate company we outsource our system support, conducted a rehearsal for the CTS software upgrade planned on June 22. The main purpose of the upgrade is to improve the operation for uploading the margin trading regulatory related information.

Due to errors in the rollback process, the rehearsal ended with a part of the CTS affected by the new version of software. As a result, the CTS failed to establish connectivity with trading participants on June 1st. The cause of the incident has nothing to do with malfunction of hardware or system software, but with the operational errors in the rollback process procedures after the rehearsal.

System Incident Overview

The incident was caused by CXGT-P’s errors in the rollback procedures on the Database System, a part of CTS. Changes related to the new version, which are incompatible with the current version, remained in the production database system as a result of the errors, causing the malfunction.

The Database System manages the trading schedule for system, and without it properly functioning, trading participants could not establish connectivity with the CTS. The team in charge of the rehearsal was not aware of the impact of the rollback to CTS, the issue could not be detected during the work.

At 3:26AM on June 1st, CXGT-P detected a problem in CTS and started investigating and found the errors in the Database System. At 7:31 we sent out market participants a notice about the system trouble and inability of connection, followed by another notice on PTS not opening at usual time. Then at 9:29, because the trouble shooting was expected to take longer time, the trading participants were informed of the market suspension for the entire day. In the late afternoon on June 1st, we confirmed and announced the system recovery and the market was back to fully functional from June 2nd.

Measures to Prevent Recurrence

The following measures have been implemented.

- ① To create detailed rehearsal manual and to test in advance
- ② To establish within CXGT-P an independent monitoring team on the system handling process and have them verify if the working team appropriately follows proper diligence.
- ③ To explicitly acknowledge within Chi-X Japan regarding the rehearsal plan.
- ④ To strengthen training in CXGT-P to deepen the understanding on the CTS.