



## **Chi-X Japan Market Guide**

**(Chi-X PTS <Chi-Alpha> and Chi-Select)**

V5.1

**September 7, 2020**

**Market Guide Contents**

1. Introduction .....	1
2. Eligibility .....	1
3. Market Features .....	1
3.1. Market Coverage.....	1
3.2. Market Hours.....	2
3.3. Trading Schedule.....	3
3.4. Currency .....	3
3.5. Risk Controls .....	3
3.6. Price Range Check Parameters.....	4
3.7. Market Model.....	4
3.8. Surveillance Function .....	5
3.9. Trade Suspension/Halt .....	5
3.10. Order Cancellation.....	6
3.11. Trade Cancellation.....	7
3.12. Price Tick .....	7
3.13. Pricing Model.....	7
3.14. Disclosure of Price Information .....	8
4. System Structure Diagram.....	8
5. Order Types.....	8
5.1. Pegged Order .....	9
Definition .....	9
Primary Pegged Order: .....	9
Market Pegged Order: .....	9
Mid Pegged Order: .....	9
5.2. Iceberg Order.....	10
5.3. Post Only.....	10
5.4. Time in Force: .....	10
5.5. Short Sell .....	11
5.6. Self-Trade Prevention .....	11
5.7. Pullback.....	12
6. Clearing .....	12

7. Settlement.....	13
8. Participant Connectivity Guide.....	13
8.1. Services and Protocols.....	13
8.2. Market Data.....	13
8.3. FIX Connectivity.....	14
8.4. CHIXOE Connectivity.....	14
8.5. Testing.....	14
8.6. Certification.....	14
9. Documentation.....	15
10. Post-Trade Reporting.....	15
Contacts.....	15
Addendum: PTS Margin Trading.....	17

© 2020 Chi-X Japan Limited (“Chi-X”). All rights reserved. CHI-X is a registered trademark in Japan. Reproduction or redistribution of this information is prohibited except with written permission from Chi-X. Information herein will change from time to time. Please refer to the website for the latest version. In no event shall Chi-X be liable to you or anyone else for any claim arising out of or relating to this document or any content, including but not limited to, any decisions made or action taken by you in reliance upon such content or for any types of damages (such as, but not limited to, direct, consequential, special, punitive or indirect damages), even if advised of the possibility of such damages.

Chi-X reserves the right to publish your participation on its website or in its marketing materials unless you notify us otherwise. You agree that information provided to Chi-X by you and your organisation may be used within the Chi-X Group and to administer, support and improve Chi-X services. Please don’t share information you don’t want treated in this manner, or notify Chi-X if you don’t agree. Further details on Chi-X information sharing and privacy policies are available on the website.

Chi-X matches equity orders from participants who are registered broker-dealers in Japan, so the information provided here on trading methods/products are intended for Professional Investors. Chi-X does not provide direct trading services for Non-Professional Investors.

## 1. Introduction

This document is designed to share information to help prepare prospective participants to better understand the services and functionality that Chi-X Japan provides. In addition, high level procedures and technical requirements to become our participants are outlined.

For any questions regarding the material presented in this document please contact anyone listed in the Contact section.

Chi-X Japan operates 2 types of matching venues: Limit Order Matching and Market Price Matching. The Market Price Matching venue, called “Chi-Match”, is described in the separate document “Chi-X Japan Market Guide (Chi-Match)”. This document is meant to share information about the following 2 Limit Order Matching venues.

- Chi-X PTS (called “Chi-Alpha”)
- Chi-Select

## 2. Eligibility

Chi-Alpha is operated for registered broker-dealer participants in Japan who are either members of, or have clearing arrangements for settling through, the Japan Securities Clearing Corporation (JSCC).

Chi-Select is limited to Chi-Alpha participants who fulfill certain eligibility criteria to participate as Designated Market Maker or who are retail focused broker-dealers to participate as Designated Taker. The entry criteria is set out in a separate document. Please contact Chi-X Japan for details.

## 3. Market Features

### 3.1. Market Coverage

Eligible stocks are selected by Chi-X Japan from listed common stocks (including investment trusts such as ETFs) in Japan. Currently these include common stocks, ETFs, REITs listed on Tokyo Stock Exchange (TSE). The stock list will be made available on the Chi-X Japan website and our SFTP servers. Participants may access their SFTP accounts around 20:00 to pick up the file.

Stocks with 1 share trading unit and a price below 7,060 Yen can potentially have settlement amount by sub-Yen digit. Stocks of such condition, including ones in which Chi-X Japan determines to be close to that level, will have their trading unit changed to 10 shares.

Stocks newly listed on the TSE will become tradeable on Chi-X only after an opening price is determined on TSE. Until then, the newly listed stock will remain suspended on Chi-X.

Margin tradable stocks are described in the Addendum.

### ***3.2. Market Hours***

Open 8:20 – 16:00 on business days. However, matching of PTS margin orders takes place only within TSE trading hours, 9:00-11:30 and 12:30-15:00.

Pegged Order Matching is also 9:00 – 11:30 and 12:30 – 15:00 (Chi-Alpha only. Pegged order is not available on Chi-Select)

### 3.3. Trading Schedule

ITEM	TIME	ACTION
Participant Connectivity	07:00	Allow participants to connect. No order entry, modification or cancellation is permitted
Open CXJ	08:20	Continual trading of eligible stocks (limit orders only)
AM Open TSE	09:00	Continual trading of eligible stocks (all order types)
AM Close TSE	11:30	TSE closed. Limit Orders on Chi-X Japan can continue matching during lunch break. Existing Pegged Orders can not be matched but can be modified/cancelled and new orders can be placed. PTS margin orders are cancelled back.
PM Open TSE	12:30	TSE reopens. Pegged orders matching and PTS margin orders matching are resumed.
PM Close TSE	15:00	TSE closed and all outstanding Pegged orders and PTS margin orders are expired. Limit order matching continues
Close CXJ	16:00	All open orders are expired. Trading message sent to participants that orders are expired
Daily Reports	18:00	Daily report generation for participants (trade list, etc.)
Participants Disconnect	18:00	Disconnect all participants' sessions

**Note:** All times are Japan Standard time

### 3.4. Currency

Japanese Yen

### 3.5. Risk Controls

Native Risk Controls in Chi-X Japan include the following:

1. Pre-Trade Price Range Check: (see parameters below)
2. Capital Limit Check: Limit on maximum value per order. Hard limit per session at Participant level by notional value per order set to effectively enforce our surveillance function<sup>1</sup>
3. Size Limit Check: Limit on maximum number of lots per order. Hard limit per session at Participant level by number of lots per order
4. Short Sell Check: Uptick/downtick check (further details can be found in Short Sell section)
5. Cancel on Disconnect: All open orders for a given FIX session when the FIX session becomes disconnected will be cancelled. (Upon request option to disable will be allowed)

### **3.6. Price Range Check Parameters**

10% above (for buy orders) or below (for sell orders) the most recent price from TSE as listed below. The price limit is inclusive and follows the subsequent rounding methodology: Buy orders are rounded down and sell orders are rounded up, to the applicable tick of the price.

- Base Price/Previous Close<sup>2</sup> for first trade
- Executed Price/Last Price<sup>3</sup> after the first trade (in case Special or sequential quote is applicable, refer to the quote)

### **3.7. Market Model**

Fully anonymous continuous price/time matching of orders: When a participant's limit order matches the limit order on the opposite side, and executed in accordance with the price priority (higher limit orders take precedence for buy orders, lower limit orders take precedence for sell orders) and time priority (earlier bid/offer shall take precedence for the same limit price orders) principle.

---

<sup>1</sup> Calculation of notional value limit(s):

For Pegged orders: Quantity X Corporate Action-adjusted previous day's closing price, where Quantity = Lot Size of a stock X No. of Lots

For Limit orders: Quantity X Order Limit Price, where Quantity = Lot Size of a stock X No. of Lots

<sup>2</sup> Base Price/Previous Close is Corporate Action Adjusted Price

<sup>3</sup> Executed Price/Last Price is price from TSE

As Chi-X Japan market model is continuous matching of limit orders, “*itayose*” or “*special quote*” shall not be applied.

Chi-X Japan is a non-attributed, anonymous market. Order volumes are aggregated at each price level (market by price) and a participant’s identity is not disclosed on the pre-trade book feed.<sup>4</sup>

### Example – Price Priority

Priority	Size	Bid	Offer	Size
<b>P1</b>	<b>300</b>	<b>500.9</b>	<b>501.0</b>	<b>500</b>
P2	100	499.9	501.1	600
P3	100	499.8	501.2	100

### Example – Time Priority

Priority	Size	Arrival Time	Bid
<b>P1</b>	<b>100</b>	<b>9:30:00</b>	<b>500.0</b>
P2	100	9:31:00	500.0
P3	100	9:35:00	500.0

### 3.8. Surveillance Function

Chi-X Japan will perform market surveillance activities to ensure an orderly market and be alerted of any suspicious trading patterns.

Hard limit per session (Participant level by Lot size/Notional value) is set to effectively enforce our surveillance function (See Risk Controls).

### 3.9. Trade Suspension/Halt

Chi-X Japan may suspend or halt trades for a particular stock or participant in case of the following:

<sup>4</sup> Participant identity will be reported to JSCC for settlement



- JSDA has suspended off-exchange trading of the same security traded on our PTS in accordance with its regulations. Also, Chi-X Japan has noticed of trade suspension by TSE.
- Transactions whose price movements are abnormal or otherwise may suggest price manipulation.
- Chi-X Japan deems inappropriate to continue trading in such cases when Material Fact stipulated in Article 166(2) of FIEL is reported by media and the truth is not vouched for the reported contents or it is necessary to make them known in public.
- JSCC clearing membership of a participant and/or a clearing member who acts as an agent for said participant are revoked, or their assumption of the whole or a part of their obligations are suspended pursuant to the provisions of the Business Rules of Japan Securities Clearing Corporation.
- Other cases such as large scale disaster where Chi-X Japan deems necessary

#### Handling of orders

- We will not accept new orders during trade suspension
- Existing orders not matched but cancellations of orders are permitted
- Executions of orders just prior to the trade suspension shall only be matched when approved by JSDA

PTS margin trading is subject to additional regulatory measures as described in the Addendum.

### **3.10. Order Cancellation**

Cancellation of open orders must be placed through the Participant's trading system as per Trading Interface Specification. Should the Participant be unable to do so due to system issues, cancellation may be requested by an authorized person as identified on the Supplemental Questionnaire placing a phone call to Chi-X Japan. Chi-X Japan accepts cancellation of all open orders only. Individual order cancellation is not accepted.

### 3.11. Trade Cancellation

Chi-X Japan will not cancel any trades except in the case as described in the Rulebook.

### 3.12. Price Tick

Below is Chi-X Japan's Tick Size Chart

Stock Price (JPY)	Chi-Alpha		Chi-Select	
	All Symbols (JPY)		TOPIX100 Symbols (JPY)	Other Symbols (JPY)
~1,000	0.1		0.1	0.2
~3,000			0.1	0.2
~5,000			0.1	1
~10,000	1		0.1	2
~30,000			0.1	2
~50,000			0.1	10
~100,000			1	20
~300,000	10		1	20
~500,000			1	100
~1,000,000			1	200
~3,000,000			1	200
~5,000,000			1	1,000
~10,000,000			1	2,000
~30,000,000			1	2,000
~50,000,000			1	10,000
50,000,000~			1	20,000

### 3.13. Pricing Model

The Maker/Taker pricing model is employed and the details are in principle as in the table below. The Maker/Taker breakdown at the trade level will be reported in the Daily Execution Report and trading messages.

	Chi-Alpha		Chi-Select	
	(A)	(B)*1	(A)*2	(B)*1*2
Membership Fees (monthly)	JPY400,000	Free	Incl. in Chi-Alpha	Free
Taker (every trade)	0.2 bps	0.5 bps	0.0 bps	0.5 bps
Maker (every trade)	0.1 bps	0.1 bps	0.5 bps*3	

\*1. Limited to broker-dealers deemed appropriate by Chi-X such as regional area focused firms

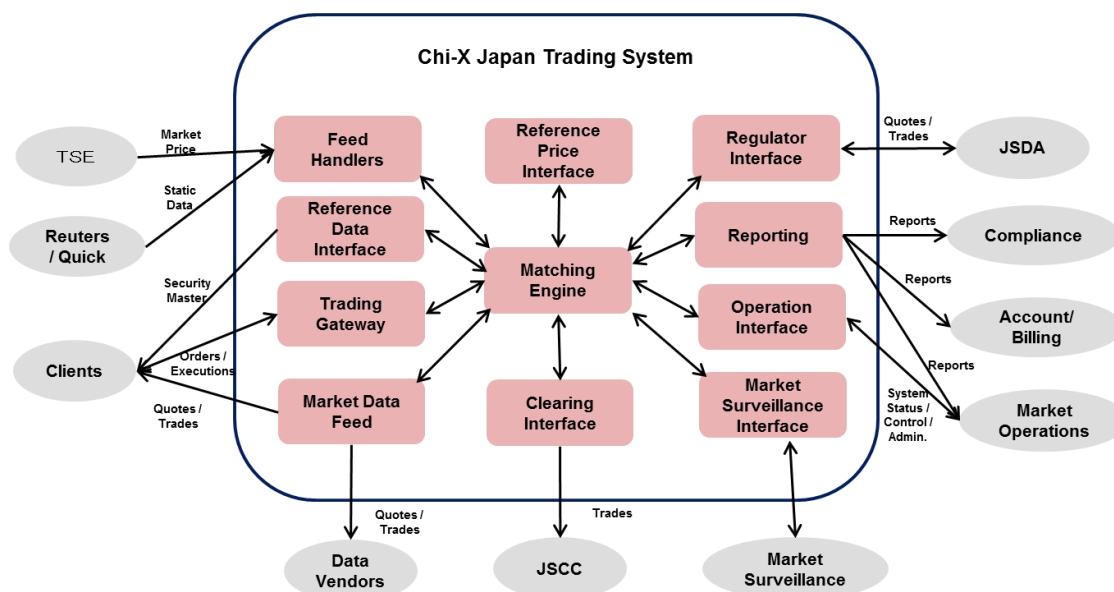
\*2. Chi-Select is limited to Chi-Alpha participants who meet eligibility criteria set out separately

\*3. 0.2bps is applied for Topix100 constituents

### 3.14. Disclosure of Price Information

Quotes, traded price and other price information are disclosed through JSDA's website "PTS Information Network" (<http://pts.offexchange2.jp/ptsinfo/>)

## 4. System Structure Diagram



**NOTE:** Market Data is only Chi-X Japan market data

## 5. Order Types

We support the following order types. Please note that order types available are different between 2 PTSs.

Order Types	Chi-Alpha	Chi-Select
Pegged Order	✓	-
Iceberg Order	✓	-
Post Only	✓	✓ (Designated Market Maker only)
Day	✓	✓ (Designated Market Maker only)
Good till Time	✓	✓ (Designated Market Maker only)
IOC (Immediate or Cancel)	✓	✓ (Designated Taker only)
FOK (Fill or Kill)	✓	✓ (Designated Taker only)
Short Sell	✓	✓

Self-Trade Prevention	✓	✓ (Designated Market Maker only)
Pullback	✓	-

## 5.1. Pegged Order

### Definition

A pegged order is an order to buy or sell the stated quantity of a security at a price set to track a reference price<sup>5</sup>. A pegged order can be re-priced based upon the movement of the BBO. When Special Quote is in effect, pegged orders are removed from the book until the Special Quote is cleared. If the limit price of a pegged order is re-priced, it will take lower priority to orders already on the book at the same price. There are three types of price tracking supported:

#### Primary Pegged Order:

A primary pegged order is an order pegged to the best bid (for buy order) or offer (for sell order) on the Primary Market. The order may be priced or un-priced. If an order is priced, the order is pegged up (for buy order) or down (for sell order) to the specified limit.

#### Market Pegged Order:

A market pegged order is an order pegged to the opposite side at a price equal to that on the Primary Market. In other words, for a market pegged buy order, it is set to track the best ask price in the Primary Market. For a market pegged sell order, it is set to track the best bid price in the primary market. If an order is priced, the order is pegged up (for buy order) or down (for sell order) to the specified limit.

#### Mid Pegged Order:

A mid pegged order is an order pegged to the mid price on the Primary Market. If an order is priced, the order is pegged up (for buy order) or down (for sell order) to the specified limit. The rounding methodology followed is: Buy orders are rounded down and sell orders are rounded up, to the applicable tick of the price.

<sup>5</sup> Orders peg to the primary exchange price only. For purposes of determining primary exchange, QUICK data is used.

## **5.2. Iceberg Order**

The iceberg order type allows a trading participant to enter an order, of which only a pre-specified quantity is displayed in the order book; however the reserved portion is executable against an opposite side order with quantity exceeding the displayed quantity. Once the displayed quantity is entirely executed, the next pre-specified quantity is automatically displayed on the order book and handled as if it were a new order entering at the time.

## **5.3. Post Only**

The post only order type allows a trading participant to enter an order that will only execute as a maker. Upon arrival, a check will be performed to ensure that the Post Only order will not be removing liquidity from the order book. In a case where it would cross with a resting order, Chi-X Japan will cancel the order back, thus ensuring the order only acts as a maker. This order type guarantees that the order will never remove liquidity (act as a taker). Once the order is placed on the book, its behavior is similar to other order types.

Post only can only be entered as a Limit Order. Pegged orders, Iceberg, IOC and FOK in combination with Post Only are not supported and the FIX message will be rejected. Details on how to submit this order type can be found in the FIX Specification Guide.

## **5.4. Time in Force:**

- **Day:** Order which is effective for the day
- **Good till Time (same day):** Order which is set to a certain time of the day as the effective deadline
- **Immediate or Cancel:** Limit orders are executed at one time. If the order is not executed in full at one time, the remaining portion is cancelled before showing on the order book. In the FIX message, it shows as "Cancelled" but the behavior itself would be treated as "Expired"
- **Fill or Kill:** Limit orders are executed fully at one time. If the order is not executed in its entirety, the order is cancelled

## **5.5. Short Sell**

Short Selling on Chi-X Japan PTS platform follows the same restrictions as those at TSE, including naked short sell restriction, marking requirement, and price restriction (excluding the outstanding position reporting). Exemptions to each item also apply similarly.

Regarding the price restriction:

Reference price for trigger activation shall be the same price as TSE's base price. Trigger price shall be calculated as "the base price multiplied by 90%," rounded down to the nearest tick.

Trigger activation shall be based on an execution at or below the trigger price. Price restrictions are to be applied immediately following such execution. In case the trigger is activated only on Chi-X Japan, the price restriction is applied until the end of that trading day and the Chi-X PTS last price is used as the reference for the uptick rule.

In case the triggers for specific names are activated in TSE, price restriction for those names will be conducted on Chi-X Japan until the end of the following trading day even though trigger was not activated on Chi-X Japan.

From the perspective of preventing price restriction violations, placement of short sale orders (FIX tag=5 [Sell short]) at or below the trigger price is prohibited before trigger activation.

## **5.6. Self-Trade Prevention**

This functionality will prevent orders which are sent from the same participant with the same unique identifier from executing against each other. This functionality supports three options to let participants control the behavior between their orders.

- **Cancel Newest** – When this option is selected, the incoming order will be canceled and the resting order will remain on the order book, maintaining its queue position

- **Cancel Oldest** - When this option is selected, the resting orders which may cause a self-trade will be canceled, regardless of quantity. Please note that multiple resting orders may be canceled even if the incoming orders quantity is smaller than the resting orders
- **Decrement and Cancel** – This option will decrement the quantity of the larger order by the size of the smaller order and cancel the smaller order. In the event that both orders have same quantity, both orders will be canceled.

The participant is responsible for all activity under its ID including Self-Trade Prevention orders. It is the sole responsibility of the participant to create, assign and manage unique identifiers (NoSelfTrade tag 8174) used by itself and its clients. The participant is encouraged to take all reasonable measures, technical or otherwise, to mitigate the potential risk of orders being unintentionally cancelled due to unique identifiers not being properly used by its personnel or clients.

Prior to using this order type for the first time participants need to return the Confirmation of Self-Trade Prevention.

For further details on use of Self-Trade Prevention, please refer to the FIX Specification guide.

### **5.7. Pullback**

This order type allows the participant's resting order to be cancelled by Chi-X automatically when its limit price becomes marketable on the Primary Market. In other words, a resting order on Chi-X will be cancelled when the Primary Best Ask price becomes the same or lower than the limit price of the resting BUY, or when the Primary Best Bid price becomes the same or higher than the limit price of a resting Sell order.

Chi-X will return an unsolicited cancel message to the participants.

## **6. Clearing**

The clearing interface will report all executions from Chi-X Japan to JSCC. Trades are novated to JSCC and may be netted across trading venues including Chi-X Japan.

Participants should note that enhancements may be required on their support systems for PTS ↔ JSCC clearing. Further discussions should take place with your IT and Operations team along with JSCC and Chi-X Japan as necessary.

## 7. Settlement

Settlement of the transactions executed on our PTS will be processed in accordance with JSCC's Business Procedure Manual. Settlement is done between JSCC and our participants who are the members of JSCC or our participants who delegate their settlement to JSCC members.

## 8. Participant Connectivity Guide

Participants must comply with the Connectivity Guide which will provide more detail for connectivity analysis design and implementation. However, the following should serve as a high level description of items to consider and information to have ready:

### 8.1. Services and Protocols

The below set of services and protocols will be used for connection to the Chi-X platform.

Market Data	Available in Multicast CHIXMMD ASCII and Binary protocols
Trading	Available in FIX4.2 Protocol and CHIXOE Protocol.

The support for CHIXMD (Unicast) ended in June 2019.

### 8.2. Market Data

The CHIXMMD feeds contain real-time order and trade information for the Chi-X Japan PTS platform. The feeds are available as a series of sequenced and unsequenced variable length messages, encoded in printable ASCII bytes and Binary format.

More detailed technical specifications for these feeds are discussed in the Connectivity Guide and the feed specifications while contract and fees are described in the Product Manual.



The terms and conditions for how a Trading Participant may 1) receive data and 2) use data, directly or indirectly, and under what conditions Chi-X Japan may charge a fee for data, are set out in the Chi-X Japan market Data Agreement or the agreement which supersedes it.

### **8.3. FIX Connectivity**

In addition to FIX 4.2 standard messages, there will be additional customization needed in the following areas:

- Support for Quick/local symbology for submission of orders
- Handling of reject messages for order types that are not supported by Chi-X Japan
- Support for specific pre-order checking required by the Chi-X Japan

Detailed FIX Connectivity guide will be available as a separate document.

### **8.4. CHIXOE Connectivity**

CHIXOE is an OUCH-like interface that provides clients with a connection that is more efficient than the FIX interface. Note that Pegged and Iceberg order types are not supported. See CHIXOE Interface Specification for more details.

CHIXOE is available to all participants on Chi-Alpha, but limited to Designated Market Makers only on Chi-Select.

### **8.5. Testing**

Once connectivity is set up testing will be required. Participants can send orders to our test environment and receive messages back. The participant will be responsible for their own test scenarios.

### **8.6. Certification**

Once testing is successfully completed, certification will be obtained and migration to production can occur. Chi-X Japan will provide the certification script. The certification process will be manual and an appointment will be required.

## 9. Documentation

As part of the on-boarding process, there will be a set of documents to be reviewed and completed.

- Account Opening Form
- Supplemental Questionnaire
- Insider Registration Form
- Personal Information Protection Policy
- Best Execution Policy
- General Terms and Conditions
- Rulebook
- Customer Contract (a set of documents for subscribing products)
- JSCC Related Documents

## 10. Post-Trade Reporting

As part of our services, the below list of reports will be available via SFTP.:

### Trade Summary Report

Trade Summary Report is generated every trading day after market close.

Format: Read Only PDF

### Daily Execution Report

Execution Report is generated every trading day after market close. This report is available for participants to download from our FTP site. Format: CSV file

## Contacts

[jp.client.service@chi-x.com](mailto:jp.client.service@chi-x.com)

General Telephone            03-6366-8800

Client Service                03-6366-8899

### ***Address:***

Chi-X Japan Limited

Shin Toyo Akasaka Building 7F

4-9-25 Akasaka, Minato-Ku Tokyo 107-0052

***Website***

<http://www.chi-x.co.jp>

## Addendum: PTS Margin Trading

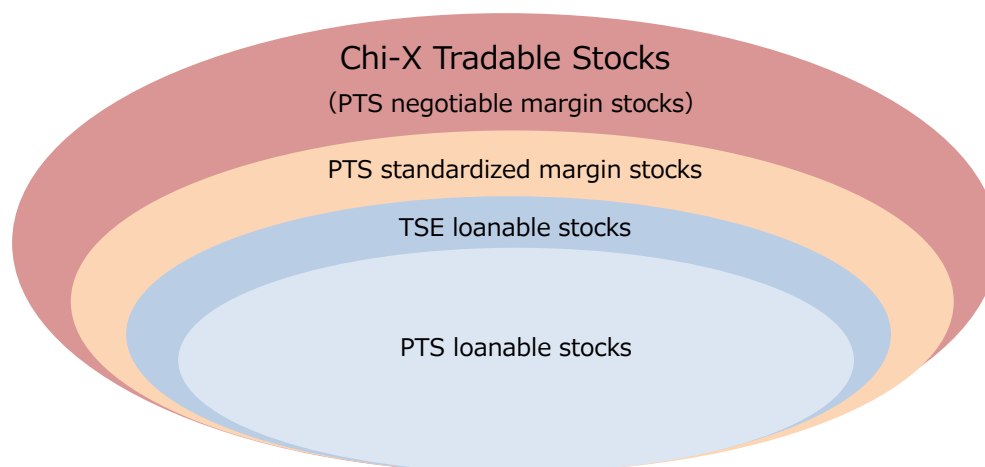
Trading on PTS on margin (where a PTS participant provide their customers with stock or fund for their trading) is called PTS margin trading. These are the types of PTS margin trading available in Chi-Alpha and Chi-Select.

Type	Description
PTS negotiable margin	PTS participant lends customers its own stock or fund on the negotiated rate for the negotiated period.
PTS standardized margin	PTS participant lends customers stock or fund on the standardized rate stipulated by TSE for less than 6 months. PTS participant may borrow <u>fund</u> from Japan Securities Finance Corporation (JSF).
PTS standardized margin (loanable)	PTS participant lends customers stock or fund on the standardized rate stipulated by TSE for less than 6 months. PTS participant may borrow <u>stock or fund</u> from JSF.

### PTS margin tradable symbols

Type	Tradable stocks
PTS negotiable margin	All tradable stocks stipulated in 3.1.
PTS standardized margin	All tradable stocks stipulated in 3.1 that are also stipulated by TSE as standardized margin tradable stocks.
PTS standardized margin (loanable)	Loanable stocks for TSE standardized margin trading that are selected by JSF and Chi-X Japan.

Visualization of stocks universe



### Trading hours

9:00-11:30, 12:30-15:00. PTS margin open orders are cancelled at 11:30. The order acceptance restarts at 12:30.

### Regulatory measures of margin trading

Certain stocks are subject to certain regulatory measures.

Stocks	Regulatory measures
Stocks subject to margin trading restrictions on TSE	Stocks will be subject to restriction or suspension of PTS margin trading
Stocks TSE adds to the list of daily publication of outstanding margin transactions	Stocks will be added to the list of daily publication of outstanding for PTS margin trading
Stocks for which TSE raises customer margin deposit ratios	Margin deposit ratios will be raised for PTS margin trading
Stocks JSF gives caution regarding stock borrow difficulties or implements limitation or suspension of stock borrow application	Stocks will be subject to restriction or suspension of PTS margin trading

### Exemption for Short Sell Restrictions (Naked short sell restriction and Price restriction)

Short sell restrictions are exempted for margin new sale order if an order is sent by non-qualified institutional investors (such as individual) and is less than 50 trading units. The restrictions become applicable for an order of more than 51 trading units. An order by qualified institutional investors will be subject to the short sell restrictions from 1 unit.

### Information regarding PTS margin trading

Information on PTS margin trading outstanding and regulatory measures are available on our website. The outstanding information will be released in daily and weekly reports.

Report Name	Release Timing
Outstanding of margin trading by Symbol	Following business day 16:30
End-of-week outstanding of margin trading by Symbol	2 <sup>nd</sup> business of week 16:30
Current outstanding of margin trading	3 <sup>rd</sup> business of week 16:30