

Trading Rules (Bonds)

June 27, 2025

This document presents the trading rules for Japannext's PTS **Bonds** trading service as of **April 1, 2020**.

Please note:

- Times are denoted in **24-hour JST** notation.
- Monetary values are in **JPY**.

1. Product Universe

- Japanese Government Bonds (**JGB**) issued by the government of Japan.
- Tradable names are specified by Japannext on a daily basis.
- New issues are tradable from the business day following the auction.

2. Product Type

- Cash JGB only.
- Fixed-rate, coupon-bearing bonds with maturity periods of 2, 5, 10, 20, 30, and 40 years, with a face value of JPY 50,000.

3. Post-Trade Processing

- Pre-settlement matching is done through the Japan Securities Depository Center (**JASDEC**) Pre-Settlement Matching System (**PSMS**).
- All trades matched on JASDEC PSMS are cleared through the Japan Securities Clearing Corporation (**JSCC**).
- All settlement processing is done through the Bank of Japan Financial Network System (**BOJ-NET**).

4. Participants

- A participant must be a broker-dealer registered in Japan and be able to complete post-trade processing as described in **Section 3. Post-Trade Processing**.

5. Trading Hours and Days

- Morning session: 08:20 – 11:05
- Afternoon session: 12:25 – 18:00
- Japannext PTS is open for business from Monday to Friday (excl. national, observed, and exchange holidays). For details, refer to the **Holiday Calendar** at www.japannext.co.jp.

6. Trade Date

- Always actual calendar date of execution (T).

7. Settlement Date

- One business day after the trade date (T+1).

8. Order Placement

- Via FIX 4.2 and OUCH order entry ports.
- Orders accepted within trading hours.
- Orders remaining in the order book at the end of the morning session are carried over to the afternoon session.
- Order cancellation can be done only between the morning session and the afternoon session.
- Supported order transaction types:
 - New order creation
 - Order amendment
 - Order cancellation
- Orders are placed in terms of number of bonds and simple yield.
- Supported order types:
 - Limit
 - Immediate or Cancel (IOC)
 - Fill or Kill (FOK)
 - Post-only
- Time in Force:
 - DAY: Remains in effect until the end of market trading hours; expires at the end of respective Daytime or Nighttime session.
 - IOC: Optionally specifies minimum execution size; executes immediately in full or in part upon entry, with the remainder of the order automatically canceled.
 - FOK: Executes in full upon entry or is automatically canceled.
- The capacity of the firm placing the order must be specified as **Principal** or **Agency**.
- Orders can be optionally prevented from self-matching upon entry (refer to the [Self-Trade Prevention](#) document for details).

9. Matching Process

- Order-driven continuous matching:
 - When the limit yield of a new order matches that of an order in the PTS order book, the new order is executed at the limit yield in the order book.
 - Order matching takes place within trading hours.
- Matching priority: Yield-time.
 - For sell orders, an order at a higher limit yield has priority over one at a lower limit yield.
 - For buy orders, an order at a lower limit yield has priority over one at a higher limit yield.
 - For orders with the same limit yield, an order accepted earlier has higher priority.
 - Amending the limit yield of an order or increasing order quantity changes order priority. Decreasing the quantity of an order does not change order priority.

10. Lot Size

- 2,000 bonds (JPY 100 million face value).

11. Tick Size

- 0.001% for yield.

12. Base Price

- The base price is calculated using an interpolated yield curve built from observed prices around the end of trading hours, while accounting for Japan Securities Dealers Association (**JSDA**) reference statistical prices and issue liquidity considerations.
- Base prices are converted to base simple yields.

13. Price Range

- The following price ranges are converted to simple yield ranges:
 - Base price \pm JPY 3 for bonds with residual maturity of 10 years or less.
 - Base price \pm JPY 6 for bonds with residual maturity greater than 10 years.
- Residual maturity is the bond maturity date minus the trade date.

14. Order Restrictions

- Minimum order quantity:
 - Same as the lot size (2,000 bonds, JPY 100 million face value).
 - An order with a quantity less than the minimum order quantity will be rejected.
- Maximum order quantity:
 - Soft order quantity limit is 200,000 bonds (JPY 10 billion face value).
 - Hard order quantity limit is 2 million bonds (JPY 100 billion face value).
 - By default, the soft order quantity limit is applied to orders placed via FIX order entry ports. FIX orders can optionally specify that the hard order quantity limit be applied.
 - The hard order quantity limit is applied to orders placed via OUCH order entry ports.
 - An order with a quantity exceeding the quantity limit will be rejected.
- Yield range:
 - The limit yield of an order should be within the yield range specified by Japannext.
 - An order with a limit yield outside the yield range will be rejected.

15. Trading Halt

- Japannext may suspend or restrict trading in the following cases:
 - When the base price is not generated.
 - When there are irregular or potentially irregular order flows for a name and Japannext determines that it is inappropriate to continue trading the name.
 - When there is a system failure and Japannext determines that it is inappropriate to continue trading on its system.
 - Any other cases when Japannext determines that it is unable to sustain fair trading.
- A trading suspension or restriction can be done at any time, including during trading hours. Japannext will attempt to notify all participants via email or fax.
- Information pertaining to a trading suspension or restriction may be obtained from Market Data vendors in real time.

16. Market Data

- Market data will be disseminated in accordance with applicable regulations.

Appendix 1: Price and Simple Yield Conversions

Simple yield to price conversion:

$$p = (100 + c * T) / (100 + y * T) * 100$$

Price to simple yield conversion:

$$y = [c + (100 - p) / T] / p * 100$$

p is clean price, i.e., per JPY 100 face value without accrued interest

y is simple yield in percent

c is nominal coupon rate in percent

T is time to maturity in years

Time to maturity is the time from the settlement date to the maturity date, calculated in accordance with the following conventions:

- **Actual/365 Fixed**—when the maturity date is earlier than the one-year anniversary of the settlement date
- **Actual/365 No Leap Year**—cases other than the above

Note: If the settlement date is February 29, then the one-year anniversary is on February 28.

Appendix 2: Settlement Amount

The accrued interest rate is based on the following convention:

- **Actual/365 Fixed**

The accrued interest rate is defined as follows:

$$c * d / 365 \text{ (when } d < 183 \text{ and } c / 2)$$

Otherwise, **c** is the nominal coupon rate in percent and **d** is the number of days from the last coupon payment date (or corresponding date for the first accrual period) to the settlement date. If the settlement date matches the next coupon payment date, **d** is zero.

The settlement amount can be expressed in terms of the execution and accrued interest amounts:

- **execution amount** = clean price / 100 * face value
- **accrued interest amount** = accrued interest rate / 100 * face value
- **settlement amount** = execution amount + accrued interest amount

Alternatively, the settlement amount can be expressed in terms of the dirty price:

- **dirty price** = clean price + accrued interest rate
- **settlement amount** = dirty price / 100 * face value