



# CHI-X JAPAN UPDATE

Dear Trading Community:

With the calendar turning to January, it's natural to reflect on the past year and plan for the year ahead. In 2011, Chi-X Japan continued to provide price improvement opportunities, remained Japan's most competitively priced trading venue and introduced new technologies. In addition, Chi-X Japan celebrated a few key milestones over the course of the year, including the cumulative execution of over ¥5 trillion in consideration, a Nikkei 225 market share of 3.9% (by value) on December 14, 2011 and over 10% market share in certain symbols throughout the year. We would like to take this opportunity to share a few additional highlights:

## Chi-X Japan Trading Highlights

Q1 2011		Q4 2011		
<b>Value</b>	¥934,449 million	<b>Value</b>	¥1,453,274 million	+ 55.5%
<b>Volume</b>	1,456,212,459 shares	<b>Volume</b>	2,189,717,386 shares	+ 50.4%
<b>Trades</b>	1,040,675	<b>Trades</b>	2,590,332	+ 48.9%

Source: Chi-X Japan

Over the past twelve months competition has brought tighter spreads, lower trading costs and advancements in exchange-led trading solutions. As we look forward, Chi-X Japan will continue to advocate fair and equal competition through further harmonization of Exchange and Proprietary Trading System (PTS) trading rules so that investors can fully realize the benefits brought by more meaningful competition. We intend to focus on the following three regulatory constraints that are placed on PTSs today:

<b>1. Take Over Bid (TOB)</b>	Regulatory constraints that restrict institutional and retail investors from accessing PTSs
<b>2. Margin Restriction</b>	
<b>3. Best Execution Policies</b>	Develop regulatory guidance to assist trading participants access the best price across multiple markets

Now more than ever, there is a need to establish tangible guidelines to ensure all participants are able to access the best displayed price across all recognized markets. Before retail and institutional investors can realize the full benefits of competition, Japanese equity markets must adopt a fair and equal regulatory framework which considers the needs of all market participants.

In December, Chi-X Japan hosted its first Client Forum. We would like to thank those whom attended, as it was a great opportunity for market participants to share their experiences, insights and ideas. Key topics included **Explicit Savings** (the benefit of lower trading fees), **Implicit Savings** (significant price improvement opportunities available to market participants) and **Missed Savings** (better quotes on Chi-X, which were overlooked).

## TRADING OPPORTUNITIES ON CHI-X

Explicit	Implicit	Missed
Chi-X is Japan's most competitively priced trading venue and introduced Japan's first liquidity provider credit for the month of January 2012.	Chi-X Japan had a better price than the stock's primary market 93% of the time, saving investors ¥3.2 billion in 2011.	20% of all trades on the primary markets traded-through a better price on Chi-X, executing at an inferior price and resulting in participants missing ¥4.8 billion in price improvement by trading away from Chi-X in 2011.
Example	Example	Example
When ¥10 billion trades on Chi-X, participants save 75% on transaction fees in January.	If you traded on Chi-X during the week of December 26th, you had the opportunity to execute at better price than on the primary	If you traded away from Chi-X, you often missed a better price. Unrealized savings in December 2011 for the following securities were:
Chi-X: ¥100,000 * Market A: ¥400,000 *	Mitsubishi UFJ: <b>97%</b> of the time FANUC: <b>89%</b> of the time NTT: <b>89%</b> of the time	Mizuho FG: <b>¥44,748,880</b> Nippon Steel: <b>¥8,654,700</b> Hitachi: <b>¥5,754,700</b>

Source: Chi-X Japan  
 \*Pricing models are based on the assumption that Chi-X charges liquidity takers 0.2 bps and credits liquidity providers 0.1 bps for the month of January 2012. Market A charges liquidity takers 0.2 bps and liquidity providers 0.2 bps

We continue to hear from market participants that Chi-X Japan represents the true spirit of competition. Over the next year and beyond, we will continue to advocate for fair and equal regulation and greater transparency to benefit Japan's equity markets.

Wishing you a prosperous 2012!

Best regards,

Chi-X Japan