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June 7, 2018
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

Re: Regulatory Notice 17-41

Dear Ms. Mitchell:

Virtu Financial Inc. (“Virtu” or “we”) submitted a letter on January 4, 2018 in response to Financial Industry Regulatory Authority (“FINRA”) Regulatory Notice 17-41 requesting comment on the effectiveness and efficiency of FINRA Rule 5250 (Payments for Market Making). In that letter, we explained why in our view, the constraints contained in current Rule 5250 unduly limit potentially beneficial opportunities to promote Exchange Traded Product (“ETP”) market making activity that could enhance liquidity, transparency, competitiveness, and capital market resiliency and evolution and recommended that Rule 5250 be modified to permit ETP sponsor incentive payments to ETP market makers outside the context of current exchange-administered programs.

Following up on our January letter, we would like to bring to FINRA’s attention an Exchange Traded Fund (“ETF”) market maker incentive program being implemented by the Tokyo Stock Exchange, Inc. (“TSE”) that allows for, in addition to market making incentive payments from the exchange based on continuous quotation activity, payments from ETF sponsors to market makers in specific ETFs.¹ The TSE implementation of this program permitting ETF sponsors to pay incentives to market makers highlights the importance of both ETF market making and innovation in the ETF markets.

¹ The TSE’s market making incentive program is available at <http://www.jpix.co.jp/english/equities/products/etfs/market-making/index.html>. In addition, we have attached for your reference in Exhibit 1 the TSE’s descriptive document “Handling of ETF Market Making Incentive Scheme” from April 2018.



Under the TSE's program, an ETF asset manager selects one or more ETFs from those it is currently managing to qualify for incentives (excluding any leveraged or inverse ETFs). The asset manager specifies the market making obligations and resulting incentives for market makers in that ETF. The TSE then notifies potential market makers and, provided that the market making obligations specified by the ETF sponsor are fulfilled, passes through the incentive payment from the sponsor to the market maker. The TSE also monitors trading in the ETF and sends monthly reports on performance and incentives to the ETF sponsor.

Consistent with our earlier comments, in developing this program, the TSE recognized that payments from ETF sponsors to market makers may enhance the quality of the ETF market. Specifically, the TSE recognized:

- The non-sponsored ETF market-maker incentive scheme offered by the exchange was a "one-size-fits-all" solution that did not allow for customized ETF treatment;
- Allowing for sponsored ETF market-making incentives may result in additional market makers for new and low-liquidity ETFs;
- The addition of more market makers would raise quoting standards; and
- As a result of the new program, "*ETFs that originally lacked [market makers] have a greater chance of being brought to listing.*" Exhibit 1, p. 25 (original emphasis).

We believe that the TSE program provides an elegant example of how a sponsored ETP market maker incentive program could be developed to achieve these market enhancing objectives. We hope that this example proves useful to FINRA in considering what steps to take, either under existing Rule 5250 or through revision of the Rule as occurred in 2013, that would enable ETP issuers and sponsors to advance liquidity, transparency, and competition in the ETP market while ensuring the protection of investors.

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Once again, we appreciate the opportunity to share our views on this important issue and would be pleased to discuss in further detail as and when appropriate. If you have any questions, please do not hesitate to contact Thomas M. Merritt, Deputy General Counsel.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Douglas A. Cifu'.

Douglas A. Cifu
Chief Executive Officer
Virtu Financial

EXHIBIT 1

TSE – HANDLING OF ETF MARKET MAKING INCENTIVE SCHEME



(ST-1) Handling of ETF Market Making Incentive Scheme

April 2018
Tokyo Stock Exchange, Inc.
Ver. 1.1

Revision History

	Version	Revised Page(s)	Summary of Revisions
2018/2	1.0	-	
2018/4	1.1	P3	Added footnote about effective date of application
		P7, 28	Added footnote about incentive
		P8	Added note about Announcement
		P16	Clarified wording about payment
		P17	Added footnote that tier based on ADV during Jan. – Mar. 2018 is applied until Sep. 2018.

Positioning of this document

- ETF Market Making Incentive Scheme is defined in TSE Business Regulations, where it states that details of said scheme shall be prescribed separately.
- This document contains the details of the ETF Market Making Incentive Scheme.

Related Documents

Detailed Scheme and Operations	Application/Report Format	
	Market Maker to TSE	TSE to Market Maker
ST-1* Handling of ETF Market Making Incentive Scheme *This document (Details and how to apply)	MT-1 Application for designation as MM Application to be designated as market maker (MM)	TM-1 Notification of Designation Notice sent by TSE to an MM and/or Trading Participant to inform the recipient(s) of new MM status
ST-2 List of ETFs Parameters applied as quoting obligation and incentive	MT-2 Application of ETF & Virtual Server Application to specify which ETF & VS to market make	TM-2 Market Maker Report Report sent by TSE to MMs on daily performance of ETFs under the scheme
ST-3 FAQ Frequently asked questions and answers pertaining to this scheme	MT-3 Application for contact Form to indicate contact for market making	TM-3 Notification of Cancellation Notice sent by TSE to an MM and/or Trading Participant to inform the recipient(s) of cancellation of MM status
	MT-4 Application for canceling designation Application to cancel designation as MM	

* The application flow is described later.

* For a while, effective date of any applications from Market Makers/Asset Managers must be the beginning of the month.

Positioning of this document (continued)

Related Documents

Application/Report Format	
Asset Manager to TSE	TSE to Asset Manager
<p>AT-1 NDA Non-disclosure agreement between an asset manager (AM) and TSE for the AM requesting TSE to disclose performance reports of MM(s)</p>	<p>TA-1 Report by ETF Report sent by TSE to an AM on daily performance of MM(s) for managed ETFs</p>
<p>AT-2 Application to receive report Form for an AM to indicate ETFs and its contact for the AM requesting TSE to disclose performance reports</p>	
<p>AT-3 Sponsored usage contract Contract the AM concludes with TSE to use sponsored market making incentive scheme</p>	
<p>AT-4 Application for sponsored market making Form that the AM submits to TSE to specify parameters of sponsored market making incentive scheme usage</p>	

Table of Contents

1. Details of ETF Market Making Incentive Scheme
2. Continuous Quote Obligation
3. Incentives
4. Others
5. Sponsored ETF Market Making Incentive Scheme
6. Application Flow

1. Details of ETF Market Making Incentive Scheme

Overview of this Scheme

- This scheme imposes a continuous quoting obligation and delivers a number of incentives.

Category	Item	Description
Target	ETFs excluding Leveraged/Inverse ETFs	<ul style="list-style-type: none"> • ETNs and Leveraged/Inverse ETFs are not included in this scheme.
Qualifications	Prop Desk of TSE Trading Participant Or Registered Low Latency Trader	<ul style="list-style-type: none"> • Prop Desk of TSE Member Firm (Type 1 Financial Instruments/Foreign Securities Broker) • Agency (Registered as Low Latency Trader) Either can sign up as an ETF Market Maker. The firm must apply through a TSE trading participant to sign up as an agency market maker. <ul style="list-style-type: none"> • Dedicated Virtual Server is needed.
Obligation (Continuous Quote Obligation)	(1) Number of ETFs for Continuous Quoting	<ul style="list-style-type: none"> • Must show quotes for at least the number of ETFs designated
	(2) Quoting Time	<ul style="list-style-type: none"> • At least 80% of the time during continuous auction. Exempt from obligation during trading halts or Special Quote periods.
	(3) Spread & Minimum Quantity	<ul style="list-style-type: none"> • Depends on type of ETF
Incentives	1. Proportional to Trading Value	<ul style="list-style-type: none"> • Price rate differs by liquidity (Average Trading Value).
	2. Waiver of Access Fee	<ul style="list-style-type: none"> • Access fee is partially waived for eligible issues.
	3. Waiver of Virtual Server Fee	<ul style="list-style-type: none"> • Server fee is partially waived when continuously quoting at least the number of ETFs designated.

* It is possible to sign up through multiple trading participants. However, it is not possible to do so for a single issue from multiple trading participants. This means that, for example, you would sign up for 20 unique ETFs from trading participant A and a different 10 from trading participant B.

* Registration as a Low Latency Trader needs to be completed before applying.

* If Number of ETFs for continuous Quoting is not fulfilled, any incentives including sponsored ones are not provided.

Overview of this Scheme (Continued)

Category	Item	Description
Number of MMs	No Limit	<ul style="list-style-type: none"> No upper limit on the number of market makers
Measuring	By Virtual Server	<ul style="list-style-type: none"> Must register dedicated virtual server(s) per market maker to allow for measuring of the performance of each market maker
Acclimation Period	Six Months from Sign Up	<ul style="list-style-type: none"> Lax requirements on number of ETFs that must be quoted Two Type A Virtual servers (200msg/sec) are provided without fee
Other	Lead time for Application	<ul style="list-style-type: none"> It takes approx. one week from application to registration. (Sign up is available any time of the month. Incentive is provided from sign-up day.)
	Announcement	<ul style="list-style-type: none"> TSE will announce name of market maker via website, etc. upon sign up. TSE will not announce which market maker covers which ETF, but whether market maker is preset. By reporting, Asset managers may be able to be aware that which market maker is registered on own ETFs
	Reporting	<ul style="list-style-type: none"> TSE sends monthly reports on performance and incentives to trading participant and/or market maker. Asset managers may, after concluding NDA with TSE, also apply to receive monthly reports containing the list of registered market makers and performance.
	Feedback	<ul style="list-style-type: none"> The market maker provides feedback on how to improve the trading environment.
	If Obligation not Fulfilled	<ul style="list-style-type: none"> TSE may suspend or cancel market maker registration.

2. Continuous Quote Obligation

Obligation: Number of ETFs for Continuous Quoting

1 . Number of ETFs for Quoting

- MMs must satisfy (1), (2), or (3) in order to fulfill this obligation.

	Course	Notes
(1)	At least 30 ETFs, of which 20 or more are illiquid (ADV is less than JPY 100 mil.)	<ul style="list-style-type: none"> • While this allows for relatively more freedom in choosing ETF types, the MM must display quotes for a large number of issues.
(2)	At least 15 Foreign Index ETFs	<ul style="list-style-type: none"> • The number of ETFs for which the MM must display quotes is reduced when choosing such ETFs to encourage diversified investment.
(3)	At least 10 illiquid (ADV is less than JPY 100 mil.) domestic index ETFs + At least 10 Foreign Index ETFs	<ul style="list-style-type: none"> • While the number of ETFs for which the MM must display quotes is slightly reduced, the MM has to choose both domestic and foreign ETFs.

*Nikkei 225, TOPIX, and JPX Nikkei 400 ETFs are not counted as illiquid issues.

*If an ETF was an illiquid issue at the time of sign up and later became liquid, it can still be counted as an illiquid issue.

*MMs do not need to select (1), (2) or (3), but need to choose ETFs to sign up. If MM meets either (1), (2) or (3), as a result of market making, incentive is provided. However, even if meeting obligation with some ETFs, without fulfilling (1), (2) or (3), incentive is not provided.

Obligation (Cont.): Quoting Time, Spread, and Minimum Quantity

2. Quoting Time

- The MM must show quotes for no less than 80% of the time during continuous auction. The MM is exempt from this obligation during trading halts or Special Quote periods.

3. Spread and Minimum Quantity

- Depending on the ETF type, the MM must display quotes for a sufficient quantity of ETFs within certain spread(s).
- There are stricter spread/quantity requirements for leading ETFs (i.e., tracking Nikkei 225 or TOPIX).

Type	Issue	Maximum Bid-Ask Spread (whichever is larger)	Minimum Quantity (one leg)
A	ETFs tracking Nikkei 225, TOPIX, or JPX Nikkei 400	20 bps OR 2 ticks	JPY 30 mil.
B	ETFs tracking domestic stocks or REITs	50 bps OR 3 ticks	JPY 10 mil.
C	Foreign index ETFs	50 bps OR 3 ticks	JPY 5 mil.
D	Selected foreign index ETFs	80 bps OR 4 ticks	JPY 5 mil.

*Where there are compelling reasons, such as shutdown of underlying market, quoting obligation is exempted.

*Foreign index ETFs are categorized to Type C first. Upon request, individual ETFs may be categorized to Type D. For applied parameters, see "ST-2 List of ETFs".

Quote Display Sample

Offer Volume (Value)	Price	Bid Volume (Value)
	Offer price 105	
200,000 (20.8 mil.)	104	
100,000 (10.3 mil.)	103	
	102	350,000 (35.7 mil)
	101	Bid price

- With a quote of JPY 30 mil, as more offer quotes pile up, JPY104 (the price to fulfil the obligation) becomes the Offer price.
 - MMs can use multiple order/price levels within the spread to fulfill the obligation.

Spread is 2 ticks/194bps*
 *Spread = (Offer price – Bid price) / Mid (Offer and Bid)

Quote Display Time (%) =
$$\frac{\text{Fulfilling Obligation Period (Micro seconds, Cumulative)}}{\text{Quoting available Period (Micro seconds, Cumulative)}}$$

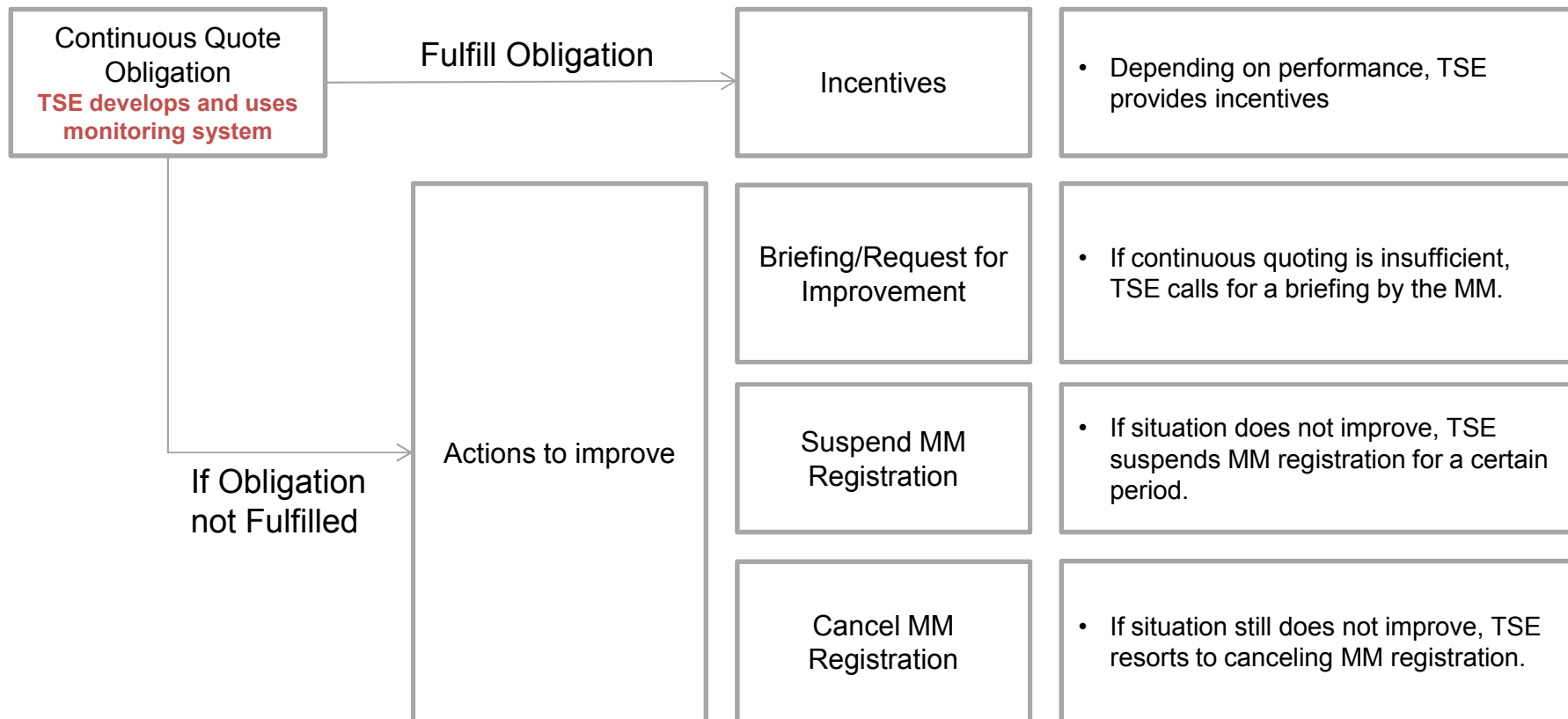
*Quote Display is valid during continuous auction hours (excl. trading halts or Special Quote periods).

*All time measurements are based on arrowhead timestamps for each order. The fulfillment status is determined on a monthly basis.



Managing MM Qualification

- TSE will monitor each MM's activity by using a newly developed system that allows for measuring MM performance.
- If the MM does not fulfill its obligation, TSE contacts and requests a briefing from the MM, which can result in the suspension or cancellation of the MM's registration.



3. Incentives

Additional Incentives on ETFs for Diversified Investment

- Higher incentives are provided on ETFs tracking the indices listed below, which are considered essential for diversified investment.

	Japan	World	Developed	Emerging
Equity	—	<ul style="list-style-type: none"> - MSCI ACWI - FTSE Global All Cap 	<ul style="list-style-type: none"> - FTSE Developed - FTSE Developed All Cap - S&P 500 - CRSP U.S. Total Market - MSCI World - MSCI World IMI 	<ul style="list-style-type: none"> - MSCI Emerging Markets - FTSE Emerging - FTSE RAFI Emerging
	—	—	<ul style="list-style-type: none"> - MSCI Europe - FTSE Developed Europe All Cap - STOXX Europe 600 - MSCI Pacific 	<ul style="list-style-type: none"> - MSCI AC Asia Pacific
Bond	<ul style="list-style-type: none"> - NOMURA-BPI Total - DBI total - NOMURA-BPI JGB - Barclays Japan Government Float Adjusted Bond 	<ul style="list-style-type: none"> - Citi-group World Government Bond - Barclays Capital Global Treasury 	<ul style="list-style-type: none"> - Bloomberg-Barclays Global Aggregate - Barclays U.S. Government Float Adjusted Bond - Barclays Euro Government Float Adjusted Bond 	<ul style="list-style-type: none"> - JP Morgan GBI EM Global Diversified - JP Morgan Emerging Market Bond Plus
REIT	<ul style="list-style-type: none"> - TSE REIT Index 	—	<ul style="list-style-type: none"> - S&P Developed REIT - S&P US REIT - S&P European REIT - FTSE NAREIT Equity REIT 	—



*In addition to the indices listed above, indices that exclude Japan, such as MSCI Kokusai Index, can also be included.
 *Please refer to “ST-2 list of ETFs” for details

Incentive 1: Proportional to Trading Value

- When MMs fulfill this obligation, they are provided with incentives based on ETF trading value.

Incentives for MMs by Tier

Tier	Average Trading Value in JPY (Continuous auction)	Incentive for Diversified Investment	Incentive for Others	(Batch auction or MM's execution against an MM)	Remarks
I	Less than 100 mil. (Newly Listed)	0.9 bps	0.7 bps	0.2 bps	Since trading volumes for less liquid / newly listed ETFs are low, relatively higher incentives are provided.
II	100 mil. or more, but less than 500 mil.	0.5 bps	0.3 bps	0.2 bps	
III	500 mil. or more, but less than 1 bil.	0.2 bps	0.2 bps	0.2 bps	MMs can trade ETFs essentially free of charge on issues in this trading volume bracket.
IV	1bil. or more, but less than 5 bil.	0.1 bps	0.1 bps	0.1 bps	The fee is higher for issues in this trading volume bracket, but some incentives are available.
V	5 bil. or more				There are no incentives for this trading volume bracket.

*There are no financial incentives for Tier V issues, but these do count as issues included in the number of ETFs for quoting. Also, they are subject to other incentives.

* In case registered Low Latency Trader conducts market making, incentive is provided to TSE trading participant as discount of trading fee.

Tier Review Cycle

- Tiers are reviewed every three months.
- Announcements are made after the three-month measuring period. New parameters are applied on the following month.

Sample Schedule

Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Measure			Announce	Apply New Parameter								Measure
			Measure			Announce	Apply New Parameter					
						Measure			Announce	Apply New Parameter		
Announce	Apply New Parameter								Measure			Announce

Incentive 2: Waiver of Access Fee

- Currently, TSE charges the access fee in proportion to the number of orders.
- Since MMs have to display continuous quotes at appropriate prices for a large amount of issues, incentives based solely on trading value are not sufficient, especially in the case of illiquid issues.



- ✓ By fulfilling obligation, MMs receive 0.1JPY/order up to 100,000 orders per ETF/day
- ✓ Applicable on all ETFs the MM signs up for

Product	Waiver
ETFs under this scheme	Yes
Other ETFs (Those the MM has not signed up for)	No
Underlyings (Stocks, REITs, etc.)	No

Incentive 3: Provision of Virtual Servers

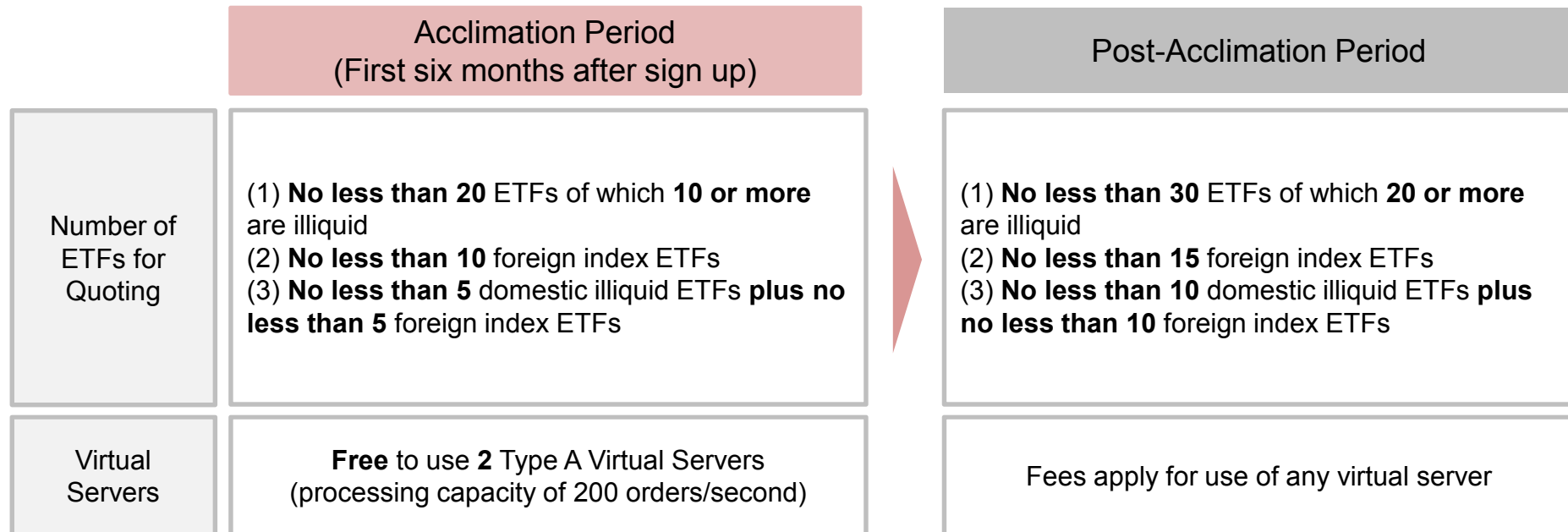
- Since trading larger amounts of ETFs requires higher capacity, TSE can provide virtual servers free of charge to MMs who sign up for more issues.

Number of ETFs for Quoting	Number of Free Virtual Servers Type A (200 msg/sec)
40 ETFs	2
60 ETFs	4
80 ETFs	6
100 ETFs	10
(For every 20 ETFs over 100)	(2)

4. Others

Acclimation Period

- Given that few MMs currently trade illiquid issues, we can foresee difficulties in having to continuously display quotes for a large number of issues, deterring MMs from joining the scheme.
- Thus, laxer requirements will be imposed during the first six months after sign up in terms of the number of ETFs for quoting, and usage of virtual servers will be free of charge to cut down on initial costs.
- The Acclimation Period is valid all through 2018. For MMs who sign up during 2018, the Acclimation Period will be valid until June 2019.



*Note that the six-month "acclimation period" refers to the six months starting on the day when the MM signs up for the scheme and not from the date on which the scheme itself launched.

*The acclimation period is only valid the first time an MM signs up for the scheme.

Reference: Exemption from Short Selling Restriction

- The quotes displayed for the purpose of fulfilling the continuous quote obligation upon sign up as an ETF MM will be handled as indicated in the table below.

Treatment of short selling conducted by ETF MMs

Applicable statutes on Short Selling Restrictions	Details	For short selling by MMs
Confirmation, etc. of a Guarantee of Borrowed Securities (Ban of Naked Short Sell) Article 26-2-2	Cannot carry out a short sell without first borrowing	Exempted → May conduct naked short sell *Must cover for settlement
Indication and Confirmation in Cases of Short Selling (Marking) Article 26-3	Trading Participant must indicate whether it is a short sell or not and similarly verify said fact with entrustor	Exempted → Can apply "0: Long Sell" classification to any sell orders
Prices in the Case of Short Selling (Up-tick Rule) Article 26-4	If the stock price drops by 10% or more, the uptick rule applies.	Exempted → No price test applied
Provision, etc. of Information on Short Selling (Reporting) Article 26-5	If short selling exceeds 0.20% of all listed shares, obligated to report said fact to the exchange; if exceeding 0.50%, the name of the short seller is disclosed.	Exempted → Excluded from outstanding short position

Reference: Exemption from Short Sell Restriction (continued)

Legal Remarks

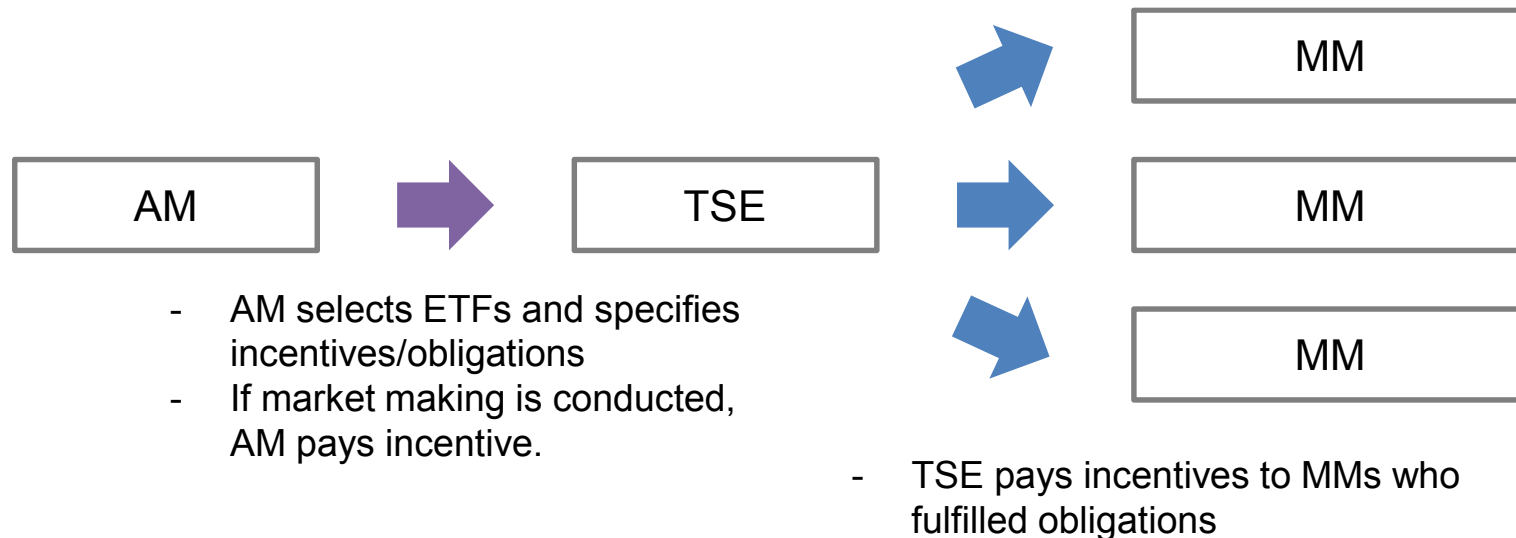
- * Exemptions from the short selling rules apply only to ETFs for which the MM has signed up.
- * Order for Enforcement of the Financial Instruments and Exchange Act (Article 26-2-2 to Article 26-5) & Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. (Article 9 to Article 15) apply to trading.
- * Short selling conducted by an MM is regarded as the following trading indicated in Cabinet Office Ordinance on Restrictions on Securities Transactions, etc., Article 9-3 (xvii) (Effective from April 1, 2018):
"among the transactions in which a Member, etc. of the Financial Instruments Exchange conducts Short Selling on his/her own account with regard to the Beneficiary Certificate of an Investment Trust, etc. or Investment Securities or **the transactions in which a Low Latency Trader who has been designated as an entity who places an order pertaining to the following trading concerning Investment Trust Beneficiary Certificates, etc. listed on the Financial Instruments Exchange, pursuant to the rules specified by the Financial Instruments Exchange conducts Short Selling on his/her own account with regard to the Beneficiary Certificate of an Investment Trust, etc. by a means specified by the Financial Instruments Exchange,** set forth in the following sub-items:"

5. Sponsored ETF Market Making Incentive Scheme

Overview

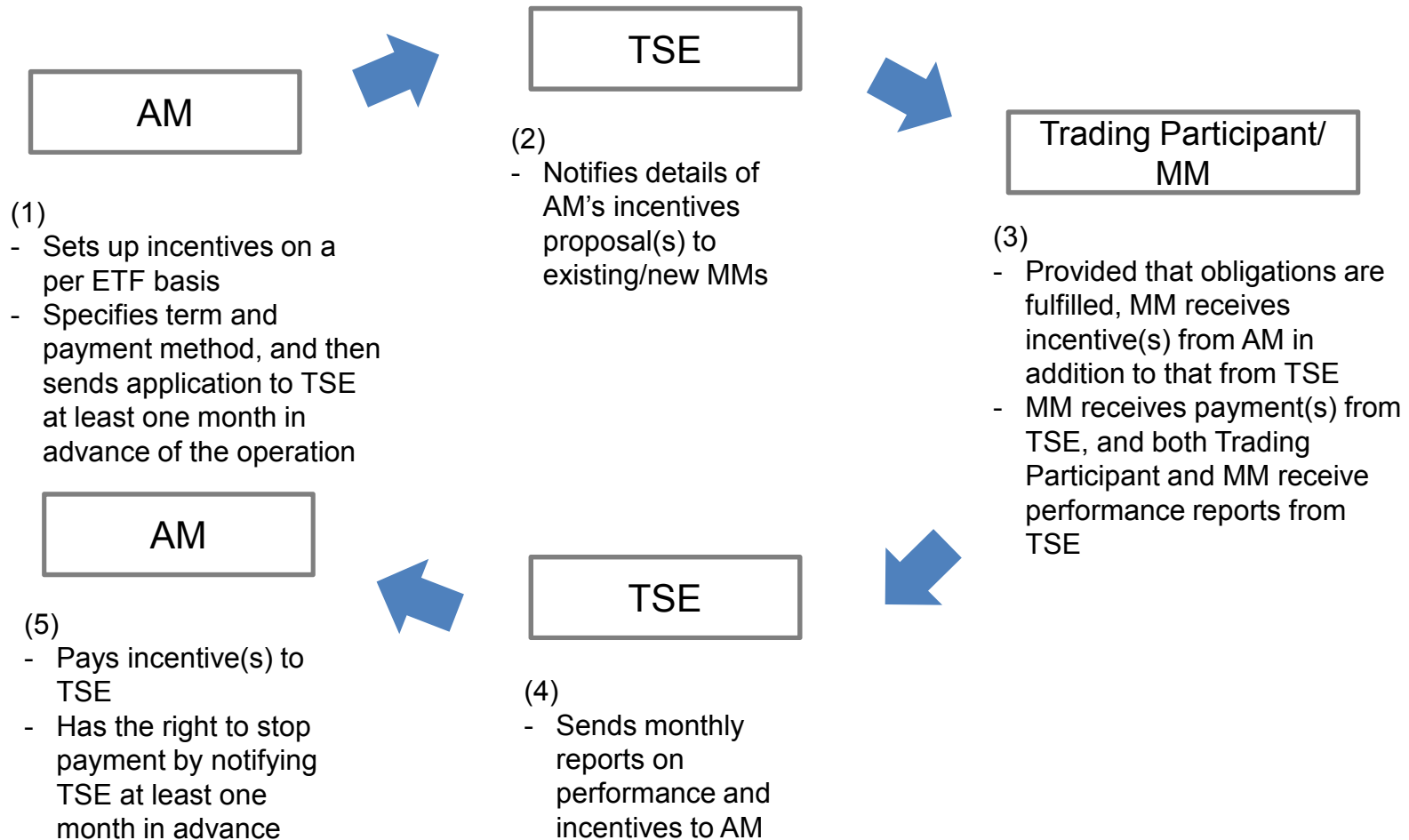
- The scheme involves having **AMs serve as sponsors for additional incentives.**
- In addition to the incentives provided by the exchange, with incentives also coming from AMs, MMs can be more inclined to sign up for seemingly less profitable issues, **raising quoting standards and further improving liquidity** for such ETFs.
- While the non-sponsored scheme by nature offers one-size-fits-all incentives across the board to ensure equal treatment of each ETF, the sponsored scheme has the potential to allow for more customized treatment, including delivering higher incentives for less profitable issues.
- **As a result, ETFs that originally lacked MMs have a greater chance of being brought to listing.**

Application Process



Diagram

Operational Flow of Sponsored ETF Market Making Incentive Scheme



* The actual application process is described later.

Details of Sponsored ETF Market Making Incentive Scheme

Category	Item	Description
Sign up	Sign up for ETF Market Making Incentive Scheme (No need for additional sign up)	<ul style="list-style-type: none"> - The Sponsored ETF Market Making Incentive Scheme (sponsored scheme) automatically applies to MMs at the time of sign for the ETFs applicable under the ETF Market Making Incentive Scheme (general scheme); provided, however, that MMs who have not fulfilled the number of ETFs for continuous quoting under the general scheme are not be eligible for incentives even if they fulfill the status of Quote Obligation in the sponsored scheme.
Reporting to Asset Manager	Name of Market Maker Performance of each Market Maker	<ul style="list-style-type: none"> - The name of the market maker(s), performance of each market maker and amount of payment with the sponsored scheme will be shared with the asset manager in monthly reports.
Reporting to Market Maker	Performance Incentives	<ul style="list-style-type: none"> - TSE sends a monthly report containing the fulfillment status of the Quote Obligation and incentives to trading participants/MM under the sponsored scheme. - The payment is added to the general scheme incentives.
Lead time for Application	At least one month	<ul style="list-style-type: none"> - To ensure there is sufficient time to inform the public, an application needs to be made at least one month in advance including application for changes in specifics.
Publication	Publicize information via the website, etc.	<ul style="list-style-type: none"> - After the application of an AM has been accepted, detailed conditions will be made public via the website, etc.

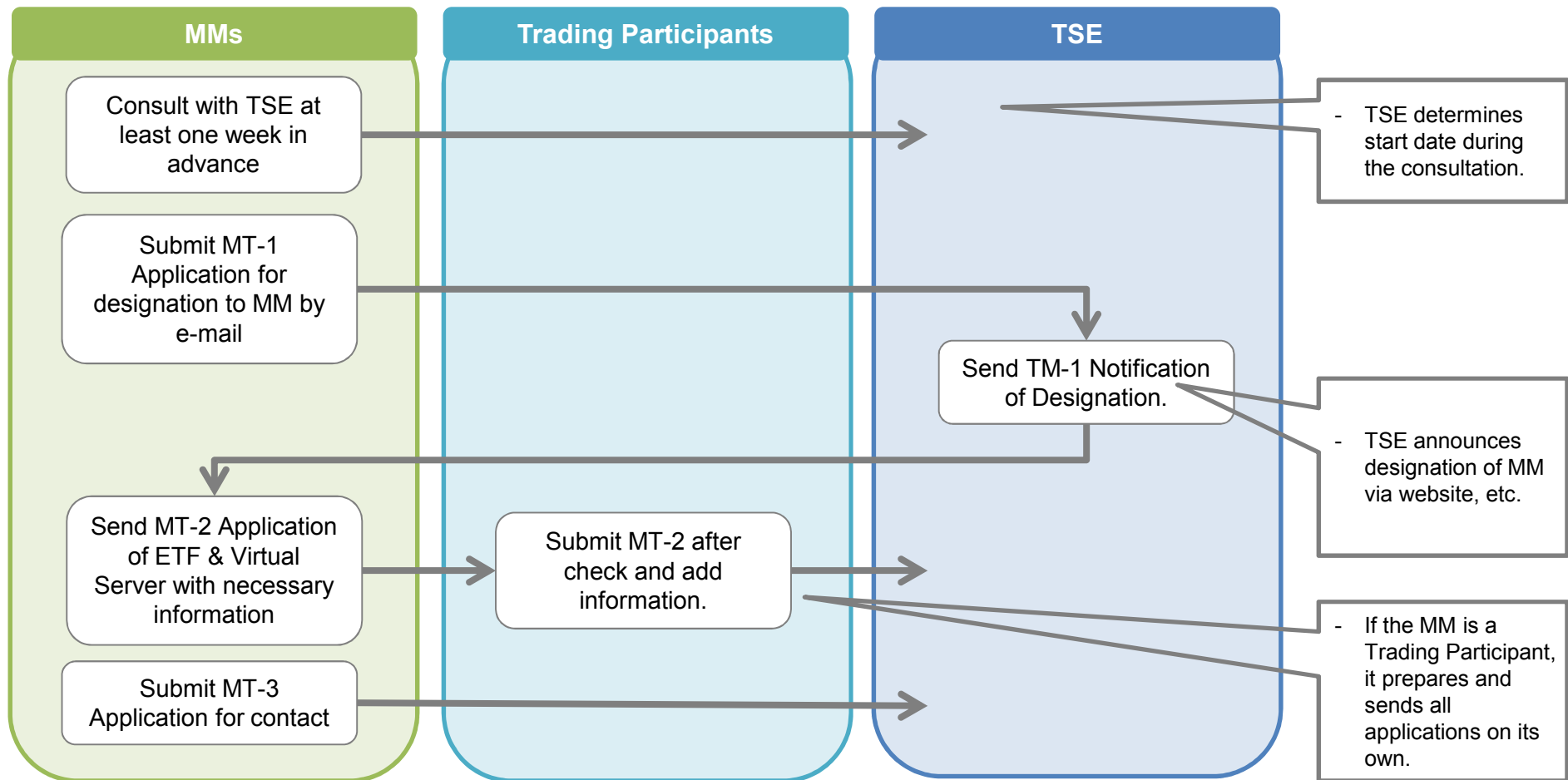
Items Specified by AMs in the Sponsored ETF Market Making Incentive Scheme

Category	Item	Description
Target	Any ETFs excluding Leveraged/Inverse ETFs	- The asset manager can choose as little as one ETF from those it is currently managing.
Period	Three months to one year	- In consideration of the preparations taken by the market maker, a minimum of three months is required. - The asset manager must reapply in order to specify incentive(s) for a single issue for more than one year.
Obligation (Quote Obligation)	Maximum Spread (ticks/bps) Amount of quote (JPY) Quoting time period (%)	- For each item, asset managers can specify a Quote Obligation that differs from that in the general scheme.
	Grouping (Setting the Quote Obligation for multiple ETFs)	- Asset managers can specify the Quote Obligation eligible for incentives only when the Quote Obligation has been fulfilled for multiple ETFs. - Asset managers can only select a fixed amount for incentives when designating grouping conditions.
	AUM trigger	- Asset managers can specify a condition in which incentives will be paid to market makers who have fulfilled the Quote Obligation only when their AUMs exceed a certain amount.
Incentives	Total amount of payment – JPY100,000 to 1,000,000/month (per ETF)	- Asset managers specify total amount of monthly incentives for each ETF.
	Payment method – Fixed compensation/Trading volume proportional	- Asset managers can select either payment method: a fixed amount (JPY XX per company) or trading volume proportional (market makers eligible for incentives).
	Maximum Number of Market Makers	- Asset managers can specify maximum number of market makers eligible for incentives.
	Priority conditions - In order of quoting time period/quantity of executions/sign-up date	- Asset managers specify priority according to the following three conditions to provide incentives: 1) quoting time period, 2) quantity of executions, or 3) sign-up date. - When the number of market makers who have fulfilled the Quotation Obligation exceeds the maximum number of market makers, asset managers can first assign priority, and then designate which are to be eligible for incentives.

* Without fulfilling number of ETF requirement set by TSE, sponsored incentive is not provided even if sponsored obligation is fulfilled.

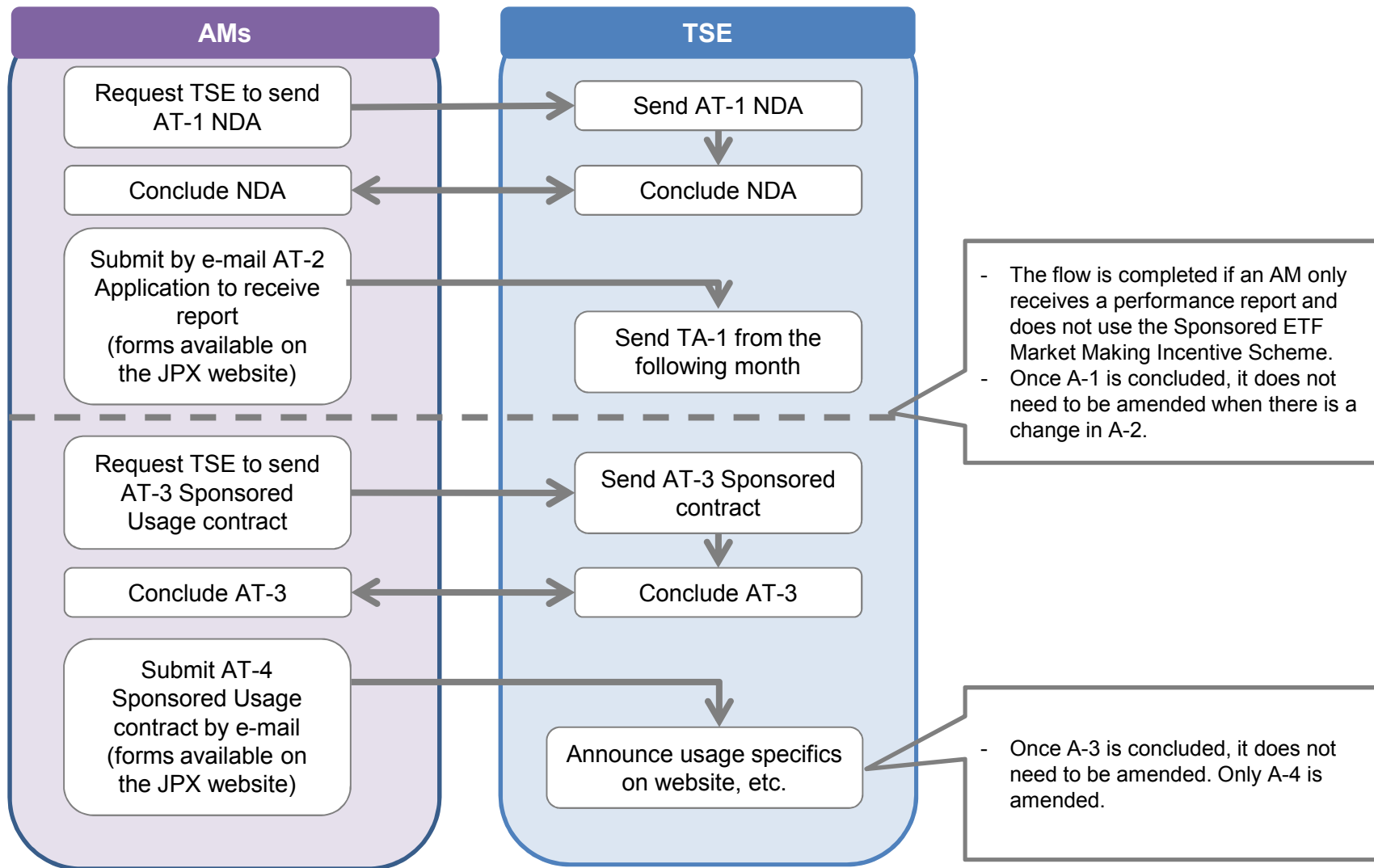
6. Application Flow

Application flow: Application and Designation by MMs



Application Flow: by AMs

- The AMs that receive reports must conclude A-1 and submit A-2; and, those who use the sponsored scheme, must also conclude A-3 and submit A-4 in addition to A-1 and A-2.



- The flow is completed if an AM only receives a performance report and does not use the Sponsored ETF Market Making Incentive Scheme.
 - Once A-1 is concluded, it does not need to be amended when there is a change in A-2.

- Once A-3 is concluded, it does not need to be amended. Only A-4 is amended.