

TOKYO STOCK EXCHANGE, INC.
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July 11, 2002

Ms. Elizabeth King
Associate Director
Office of Market Supervision
Division Of Market Regulation
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Tokyo Stock Exchange, Inc.—Options on S&P/TOPIX 150 Index; Updated Tokyo Stock Exchange, Inc. Options Disclosure Document; and Request for Extension of Prior No-Action Letter

Dear Ms. King:

As a preliminary matter, we note that on November 1, 2001, Tokyo Stock Exchange demutualized, changing its form of organization from a membership corporation to a joint stock company and its name to “Kabushiki-gaisha To-kyo Sho Ken Tori Hiki Jo” (in English, “Tokyo Stock Exchange, Inc.”) (hereinafter referred to as, “TSE” or the “Exchange”). As a result of such change TSE no longer has members. Members and the non-members that had been authorized to carry out certain trading in TSE’s markets prior to demutualization (so-called “Special Participants”) have been replaced by various types of so-called “trading participants” that are authorized by TSE to trade in some or all of its markets. All current Trading Participants are authorized by TSE to trade in some or all of its markets. All current trading participants are the same entities that, at the time of demutualization, were either members or such special participants.

We also note that in connection with its demutualization, TSE adopted a clearing system under which trading participants clear their transactions themselves if they have clearing status or, if they do not have such status, clear their transactions through firms that do.

Request for No-Action Advice

The request made herein for no-action advice with respect to option contracts on the S&P/TOPIX 150 Index (“Option Contracts”) is identical to one that was granted by the Division

of Market Regulation ("Division") of the Securities and Exchange Commission ("Commission") in a No-Action Letter dated July 27, 1999 concerning other option contracts which permitted the activities specified below with respect to equity option contracts and other index option contracts traded on the Exchange.¹ As a condition of issuance of the no-action letter requested herein, TSE agrees to comply with the conditions of relief set forth herein and in the July 1999 No-Action Letter.

TSE, the organization responsible for the management and surveillance of the Exchange and its markets, on behalf of itself and any officer, director, representative or market participant of TSE requests that the Division confirm that it will not recommend that the Commission take enforcement action if, as described below, and subject to the terms and conditions set forth herein, with respect to Option Contracts:

- a. TSE, general trading participants ("General Trading Participants") or those other trading participants that are authorized by TSE to trade options on individual stocks listed on the Exchange ("Equity Options Trading Participants") or options on stock indexes ("Stock Index Futures Trading Participants")(collectively, "Trading Participants") act to familiarize, as contemplated by the July 1999 No-Action Letter, Eligible Broker-Dealers and Eligible Institutions² in the United States with the Option Contracts without registering with the Commission as broker-dealers under Section 15 of the Securities Exchange Act of 1934 ("Exchange Act");
- b. TSE or Trading Participants do the following, solely in connection with the satisfaction of obligations under Exchange Act Rule 9b-1(d), without registering with the Commission as broker-dealers under Section 15 of the Exchange Act:

¹ No-Action Letter dated July 27, 1999 from Robert Colby, Deputy Director, Division, Commission to Richard P. Streicher, Loeb & Loeb LLP (the "July 1999 No-Action Letter") which is incorporated herein by reference (copy enclosed). On May 23, 2001, the Office of General Counsel of the Commodity Futures Trading Commission ("CFTC") issued a No-Action Letter stating that it will not recommend that the CFTC take any enforcement action based on Sections 2(a)(1)(B), 4(a) and 12(e) of the Commodity Exchange Act if TSE futures contracts based on S&P/TOPIX 150 Index are offered or sold in the United States. The Division recently granted certain exemptive, interpretive and no-action relief to, among others, iShares S&P/TOPIX Stock Price Index 150 Index Fund, which is intended to track the Index. In granting such relief the Division stated that the Index is "of sufficient size and represent[s] liquid securities." See, letter dated October 19, 2001 from Mr. James A. Brigagliano, Assistant Director, Trading Practices, Office of Risk Management and Control, Division to W. John McGuire, Esq., Morgan, Lewis & Bockius.

² To be Eligible, each such entity must meet the following standards:

- a. It must be a "qualified institutional buyer" as defined in Rule 144A(a)(1) under the Securities Act of 1933 ("Rule 144A" and the "Securities Act," respectively), or an international organization excluded from the definition of "U.S. person" in Rule 902(k)(2)(vi) of Regulation S under the Securities Act, and
- b. It must have had prior actual experience with traded options in the United States options market (and, therefore, would have received the disclosure document for U.S. standardized options called for by Rule 9b-1 under the Exchange Act, i.e., the Options Disclosure Document ("ODD")).

- i. A TSE Representative³, a Trading Participant, or an Eligible Broker-Dealer provides the enclosed updated TSE Disclosure Document, dated March 2002 ("Updated Disclosure Document")⁴ to an Eligible Broker-Dealer and the Trading Participant effects transactions in the Option Contracts with or for that Eligible Broker-Dealer pursuant to Rule 15a-6(a)(4) under the Exchange Act;
 - ii. A TSE Representative furnishes an Updated Disclosure Document to an Eligible Institution, or a Trading Participant furnishes an Updated Disclosure Document to an Eligible Institution in response to an otherwise unsolicited inquiry concerning the Option Contracts, and the Trading Participant effects transactions in the Option Contracts with or for that Eligible Institution pursuant to Rule 15a-6(a)(1) under the Exchange Act;
 - c. TSE does not, as contemplated by the July 1999 No-Action Letter, register with the Commission as a clearing agency under Section 17A of the Exchange Act;
 - d. TSE does not, as contemplated by the July 1999 No-Action Letter, register with the Commission as a national securities exchange under Section 6 of the Exchange Act; and
 - e. An Eligible Broker-Dealer, TSE Representative, or Trading Participant furnishes the Updated Disclosure Document to an Eligible Broker-Dealer or Eligible Institution before the Eligible Broker-Dealer or Eligible Institution effects a transaction in the Option Contracts subject to continuing compliance with all the terms and conditions of the July 1999 No-Action Letter except: (i) as modified by this letter; (ii) that the TSE Disclosure Document referred to in the July 1999 No-Action Letter shall mean the Updated Disclosure Document; and
- (iii) that TSE furnishes the Division, at least 30 days prior to the date definitive copies are furnished to Eligible Broker-Dealers or Eligible Institutions, with a copy of any amendment made to the Updated Disclosure Document because the information contained in that document becomes or will become materially inaccurate or incomplete, or because there is or will be an omission of material information necessary to ensure that the document is not misleading.

TSE also requests confirmation that (1) the furnishing of the Updated Disclosure Document by a TSE Representative, by a Trading Participant, or by an Eligible Broker-Dealer, in each case, to an Eligible Broker-Dealer or Eligible Institution will satisfy the obligation under Rule 9b-1 of the

³ These are the representatives in TSE's office located in New York City or outside the United States as described in the July 1999 No-Action Letter.).

⁴ In connection with the issuance of the July 1999 No-Action Letter, the Division reviewed a TSE Disclosure Document "TOKYO STOCK EXCHANGE (TØ-KYØ SHØ KEN TORI HIKI JO) SPECIAL CHARACTERISTICS AND RISKS OF TOKYO STOCK EXCHANGE EQUITY OPTIONS AND STOCK INDEX OPTIONS". Such TSE Disclosure Document was thereafter amended by TSE and reviewed by the Division. The last such amended TSE Disclosure Document reviewed by the Division as to which the Division advised us it had no objections to its distribution, is dated October 30, 2000. (Copy enclosed). The Updated Disclosure Document updates and changes relevant information in the October 30, 2000 TSE Disclosure Document.

Exchange Act to furnish an ODD before accepting an order from a customer to purchase or sell the Option Contracts, and (2) that neither the furnishing of the Updated Disclosure Document to an Eligible Broker-Dealer or Eligible Institution by TSE or by a TSE Representative, nor the furnishing of the Updated Disclosure Document by a Trading Participant to an Eligible Broker-Dealer or, in response to an unsolicited inquiry concerning Option Contracts to an Eligible Institution, will constitute either solicitation or the provision of a research report as those terms are used in Rule 15a-6 under the Exchange Act.

Finally, since TSE has changed its form of organization and the Regular Members and Special Participants, as defined in the July 1999 No-Action Letter, have been replaced with Trading Participants, TSE requests that the Division advise TSE that the relief granted by the July 1999 No-Action Letter to Tokyo Stock Exchange and its officers, directors, representatives and market participants extends and applies to Tokyo Stock Exchange, Inc. and its officers, directors, representatives and market participants as if (a) Tokyo Stock Exchange, Inc. was referred to in the July 1999 No-Action Letter in place of Tokyo Stock Exchange, and (b) Trading Participants were referred to in the July 1999 No-Action Letter in place of such Regular Members and Special Participants. The factual basis and representations for our request that such relief so extend and apply are the same as set forth in the July 1999 No-Action Letter, except as indicated herein.

Regulatory Background

TSE is one of the largest stock exchanges in the world and is the principal exchange for Japanese stocks. TSE is a joint stock company established in accordance with the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Securities and Exchange Law"). At present, the only stockholders of TSE are General Trading Participants. TSE is licensed to act as a stock exchange by the Prime Minister of Japan pursuant to a license initially granted by the Minister of Finance of Japan under the Securities and Exchange Law. As a licensed stock exchange TSE is authorized to trade stocks, bonds, fixed income derivative products and equity derivative products. The equity derivative products authorized for trading include futures and options on stock indexes and options on equities. Under the Securities and Exchange Law, the Prime Minister has supervisory authority over all stock exchanges in Japan. The Prime Minister is empowered to regulate stock exchanges. Among other things, the Prime Minister is authorized to grant licenses to stock exchanges, to approve their Constitutions, Business Regulations, and Brokerage Agreement Standards, and to approve the fairness and efficiency of transactions in options contracts on stock indexes and equities. The Prime Minister has delegated the authority referred to above, other than the authority to grant licenses to stock exchanges, to the Commissioner of the Financial Services Agency.

Under the Securities and Exchange Law, only stock corporations registered by the Prime Minister may engage in the securities business. Only such Japanese securities companies, and foreign securities companies registered by the Prime Minister pursuant to the Securities and Exchange Law and to the Law Concerning Foreign Securities Firms, can become Trading Participants.

Trading Participants are divided into four types, based on categories of "Trading Qualification Status" (*i.e.*, categories of trading in which TSE has authorized participants to trade), as follows: "General Trading Participant"—qualified to trade all securities and contracts on the Exchange; "Bond Futures Trading Participant"—qualified to trade government bond futures contracts and options thereon on the Exchange; "Stock Index Trading Futures Participant"—qualified to trade stock index futures and option contracts on the Exchange; and "Equity Options Trading Participant"—qualified to trade equity options contracts on the Exchange. All Trading Participants are members of the Japan Securities Dealers Association, and thus subject to its rules. Also, Trading Participants' transactions on the Exchange are subject to the relevant provisions of the Exchange's Constitution and its rules and regulations. All Trading Participants, to the extent that they are qualified by TSE to trade option contracts on individual stocks listed on TSE or on stock indexes, function similarly to each other with respect to their trading activities, and are subject to the Constitution, rules and regulations of the Exchange. Therefore, all Trading Participants both as to themselves and equity options and stock index options are subject to similar regulatory requirements.

Clearing System and Margin

All transactions creating or closing positions in Options Contracts are executed and settled in Tokyo by Trading Participants that are authorized by the Exchange to trade Option Contracts. Option Contracts are not fungible or inter changeable with options that are traded on any other market.

Since the July 1999 No-Action Letter, TSE has adopted a clearing system pursuant to which Trading Participants clear their transactions for themselves. Trading Participants are not, however, necessarily required to acquire Clearing Qualification status. If they do not have the appropriate Clearing Qualification status, they clear their transactions through other Trading Participants that have the appropriate Clearing Qualification status. TSE acts as a clearing body.

Another change since the July 1999 No-Action Letter is that TSE margin rules for Trading Participants and their customers are now based on the Standard Portfolio Analysis of Risk System developed by the Chicago Mercantile Exchange.

Both the clearing system and the margin system are described in greater detail in the Updated Disclosure Document.

S&P/TOPIX 150 Index

Set forth below and in the enclosed supporting material is detailed information on the Index as well as other information.

Pursuant to agreements between TSE and Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), (a) the Index was launched and is maintained by, Standard & Poor's in collaboration with TSE, and (b) TSE has created futures contracts on the

Index and the Option Contracts. The Index is a new market capitalization index and balances broad portfolio representation with liquidity in the underlying components.⁵

Trading on the Exchange in futures contracts on the Index and the Option Contracts commenced on June 11, 2001.

The Index is governed by the S&P/TOPIX 150 index committee called the Japanese Index Committee (“Committee”) chaired by Standard & Poor’s with four representatives from Standard & Poor’s and three representatives from TSE. The Committee makes all decisions regarding matters related to Index construction and maintenance, including: (a) selection, addition and deletion of component stocks; (b) calculation of the Investable Weight Factor for each component stock (see discussion below); (c) liquidity standards; (d) minor adjustments to index calculation algorithm; and (e) matters other than major changes to Index editorial policy and the development of supplementary indexes. Standard & Poor’s calculates the Index and is the official source of all Index values. The base value of the Index is 1,000 as of December 30, 1997.

Composition of the Index

The composition of the S&P/TOPIX 150 is derived from the over 1400 stocks that comprise the Tokyo Stock Price Index, (known as TOPIX) Universe, a composite index of all the common stocks listed on the First Section of the Exchange. The 150 stocks are highly liquid securities selected from each major sector of the Tokyo market and represent approximately 70% of the market value of the First Section.

The securities included in the Index satisfy several criteria intended to remove the less liquid, less easily traded securities from inclusion in the Index. Standard & Poor’s mapped TOPIX stocks according to Standard & Poor’s sector classification system, the Global Industry Classification Standard (“GICS”). It then ranked the stocks by liquidity, size and sector representation in order to arrive at the 150 issues that constitute the S&P/TOPIX 150. Specifically, the criteria include:

- i. Domicile. A company must be incorporated in Japan or have its headquarters in Japan.
- ii. Size. Only leading companies with large market value in the leading industries are considered. The stocks selected in the S&P/TOPIX Index mirror the TOPIX Universe Sector Weights. The Average Adjusted Market Capitalization of an S&P/TOPIX 150 stock was US\$6,971 million as of December 14, 2001.
- iii. Liquidity. Stocks are ranked according to liquidity, which is measured by the stock’s 12-month dollar value traded. Value traded and float turnover are analyzed on a monthly basis

⁵ The Index is part of the S&P Global 1200, the new global index covering all six major regions of the world and incorporating approximately 70% of world capitalization. The S&P Global 1200 comprises the S&P/TOPIX 150 for Japan, the S&P 500 for the US, the S&P/TSE for Canada (60 stocks), the S&P Europe (350 stocks), Asia/Pacific (100 stocks), and Latin America (40 stocks). Information on the S&P Global 1200 was obtained from Standard & Poor’s.

to ensure ample liquidity. Stocks selected have a float turnover generally greater than 0.20. Float adjustments are reviewed on an annual basis.

- iv. Company Fundamentals. Companies must have established/stable revenue and earnings. Their financial and operating conditions are analyzed in order to minimize Index turnover.

Standard & Poor's GICS methodology consists of 10 economic sectors aggregated from 23 industry groups, 59 industries and 123 sub-industries covering over 10,000 companies globally. Each company's revenue and sales breakdown for each line of business or product is evaluated. The 10 economic sectors, consistent throughout all the S&P indexes, include: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services, and Utilities. Sector and industry classifications are monitored on an ongoing basis.

The Index is weighted by each constituent stock's listed market capitalization, which excludes the value of any shares owned by the Government of Japan (hereinafter referred to as "market capitalization"), adjusted to eliminate certain shareholdings that are not believed to be part of the investable market value available to investors. Accordingly, except in the case of issuers that are banks, the market capitalization of each stock is adjusted to exclude the value of the shares held by any shareholder named among the ten largest shareholders of the issuer disclosed in the issuer's Annual Securities Report, if that shareholder is not considered to be an active shareholder. Active shareholders include, among others, investment trusts, trust banks (shareholdings through customers' trust accounts), investment advisors, employee share ownership plans, securities finance companies and nominees. Issuers that are banks generally have significant cross-shareholdings, which do not actively trade. Because of the difficulty in ascertaining the amount of such cross-holdings, to take them and other large stockholdings into account, in the case of a bank, the issuer's market capitalization is adjusted by deducting a flat 60% of such capitalization. The percentage (after such adjustments) of the total market capitalization included for index calculation purposes is called the "Investable Weight Factor (IWF)", which is determined by TSE and Standard & Poor's.

In summary, the stocks in the TOPIX Universe are ranked by sector, and by value traded. Subtotals are calculated for each Standard & Poor's sector's Investable Market Capitalization. Each sector weight of this Universe is a percentage of the Total Universe Investable Market Capitalization, which is: Price multiplied by Shares Outstanding multiplied by IWF.

The IWF or Float Shares is equal to: 1 minus the sum of the percentage held by certain major shareholders that are believed to be inactive shareholders. Each company's IWF is revised on an annual basis in order to avoid frequent rebalancing by fund managers. The IWF will be revised, however, in the event of a merger or other major event that changes a stock's weight dramatically.

Once stocks have been selected for inclusion in the Index, the index value is calculated as follows:

$$\text{Index} = \frac{\text{Sum of all Investable Market Capitalization for all companies}}{\text{Index Divisor}}$$

The Index Divisor is calculated by dividing the result of multiplying the New Investable Market Capitalization by the Old Divisor by the Old Investable Market Capitalization. Adjustments to the denominator are performed as often as necessary to ensure continuity of the Index, for example, when there is a change in the composition of the Index (e.g., additions, deletions, replacements of companies) or in the event of corporate actions and capital changes (e.g., mergers, rights offerings, public offerings).

Additions to the Index will be announced at least 5 business days prior to implementation. The most common reasons why stocks will be deleted from the Index include: (a) acquisition by another company; (b) the filing of a petition for bankruptcy; (c) the company has been restructured, in which case the restructured company and any spin-offs are reviewed for Index inclusion or exclusion; or (d) the company no longer meets current criteria for inclusion or is no longer representative of its industry group in terms of size and liquidity. In this regard, a candidate pool of stocks is available at all times, comprising the top 10 stocks in each sector from the stocks that are not part of the Index but are in the TOPIX universe.

As noted above, the float adjustments will be reviewed on an annual basis. The number of listed shares outstanding of each component stock referred to above (and which are used in the determinations of various market capitalizations referred to in this letter) is the number of shares outstanding after the last update of such number for Index calculation purposes. Such update will be made on a quarterly basis (March, June, September and December), except for such cases as stock splits (including stock dividends), rights offerings and share changes of 5% or greater due to other corporate events, in which cases changes will be made on the ex-date or the effective date. Generally, Index changes due to rebalancing are announced the Wednesday before a Friday implementation by way of a news release.

Index Constituents and Weightings

Table I in Appendix A contains detailed information on the composition of the Index. It identifies the following information, by order of adjusted market capitalization as of December 14, 2001, in respect of each stock in the Index: (a) the adjusted market capitalization; (b) the Index weight; (c) the IWF; and (d) the GICS Sector to which the stock belongs. As of December 14, 2001, the total adjusted market capitalization of the Index was US\$1,037 billion. The three largest sectors in the Index as of that date were Consumer Discretionary (25.79%), Information Technology (17.57%) and Industrials (14.83%). The five largest capitalized stocks were Toyota Motor Corp. (\$61 billion, 5.89%), NTT DoCoMo, Inc. (\$40 billion, 3.94%), Sony Corp. (\$39 billion, 3.79%), Takeda Chemical Ind. (\$32 billion, 3.14%) and Nippon Tel&Tel Co. (\$29 billion, 2.83%).

Table II provides the sector breakdown of the Index and the number of companies in each sector. Table III provides the average daily volume of trading by calendar month (measured by share turnover and yen (and US dollar) value) in each of the underlying stocks for the period January through November 2001. Table IV provides the daily volume in each underlying stock (measured by share turnover and yen (and US dollar) value) for six dates on which the final settlement prices were calculated.

Of the 150 stocks represented in the Index, twenty-four (24) are the subject of US exchange listed ADRs and are identified in Appendix B. However, as the Option Contracts are settled by cash, it is not possible to satisfy obligations by the delivery of ADRs.

Availability and Price Collection

The Index is calculated on a real-time basis and calculation begins at 09:01, one minute after the opening of the Exchange's market. In Japan, the opening price is the first trade of any stock. In the event a stock does not open, the previous closing price or the special bid or asked quote,⁶ if any, is used until an opening price is available. The closing index value is calculated using the closing price or the last special bid or asked quote, if any, of each stock on the Exchange.

WM/Reuters spot rates are provided real-time by the WM Company. The US dollar-denominated index is calculated (based upon the closing index value) on a continuous basis after the Tokyo close using updated dollar/yen exchange rates. Pricing source is Reuters real-time feed. The Index is disseminated every 15 seconds by major quote vendors such as Bloomberg and Bridge.

Disclosure Document Updated

As noted above, enclosed with this request for no-action relief is the Updated Disclosure Document. In addition to the inclusion of information about the Index and the Option Contracts, changes from the October 30, 2000 TSE Disclosure Document that are reflected in the Updated Disclosure Document principally: (a) inclusion of information that reflects various changes in the regulatory structure in Japan; (b) inclusion of information that reflects the demutualization of TSE (including, among others, the change from a membership system to a system of trading participants and the change to a clearing firm system); (c) updating of the information included in the October 30, 2000 TSE Disclosure Document; and (d) clarification of the manner in which margin is held by TSE.

Surveillance Arrangements

We understand that among the significant factors the Division will consider in reviewing the request herein is TSE's ability to conduct surveillance over trading in the Options Contracts and the stocks underlying the Index. As noted above, both the Options Contracts and the stocks underlying the Index trade on the Exchange, as do futures contracts on the Index.⁷ Consequently, TSE has access to all material information necessary to conduct proper surveillance.

⁶ In accordance with TSE rules, in the event that there is a "one-sided market" (e.g., a large imbalance) and it is expected that there will be more than a specified permitted variation between the last executed contract price and the expected new price, TSE personnel will not match orders. Instead, they will enter in CORES-FOP, a special bid or asked quotation, as applicable. Special bid and asked quotations are intended to prevent drastic price movements from occurring and are disseminated publicly through the Exchange's Market Information System. In accordance with Exchange Rules, if counter orders at a special quotation are not received in sufficient volume to fill all open orders, the Exchange will continue to change the special quotation within prescribed limits (up to the daily price limit) after intervals of at least one minute, until counter orders are received in sufficient volume to fill all open orders.

⁷ The Exchange is the primary trading market in Japan for almost all the component stocks in the Index.

As stated in the July 1999 No-Action Letter, the Commission and the Ministry of Finance of Japan have entered into a Memorandum of Understanding that provides a framework for mutual assistance in investigating regulatory matters.⁸ Moreover, TSE has entered into several arrangements for the sharing of information on a multilateral and cross border basis. On June 22, 2000 TSE became the first exchange in Asia to become an affiliate member of the Intermarket Surveillance Group ("ISG"), which is comprised of representatives from US and non-US securities and futures exchanges with observers from the Commission and Commodity Futures Trading Commission. The members of ISG have agreed to share information to ensure coordinated surveillance of intermarket trading abuses. In addition, TSE is a signatory to the International Information Sharing Memorandum of Understanding dated March 15, 1996, a framework for over sixty futures exchanges and clearing organizations worldwide to share information relevant to managing global market emergencies. These arrangements significantly enhance TSE's ability to conduct surveillance over trading in the Option Contracts and the stocks underlying the Index.

Conditions of Relief

As conditions for the issuance by the Division of the no-action position requested herein, TSE confirms the following:

- a. It has implemented and complied with the terms and conditions of relief set forth in the July 1999 No-Action letter and, except as superseded herein in connection with the Updated Disclosure Document, which will be provided, both as to the contracts that are the subject of that letter and the Option Contracts, rather than the October 30, 2000 TSE Disclosure Document, and undertakes to continue to comply with such terms and conditions, except as modified herein, with respect to the contracts that are the subject of that letter as well as the Option Contracts. Among other things, TSE has advised Trading Participants, as provided in the July 1999 No-Action Letter, that, under U.S. law, Trading Participants which are not U.S. registered broker-dealers may deal with Eligible Institutions only in accordance with Rule 15a-6 under the Exchange Act, principally through U.S. registered broker-dealers as provided in such Rule, TSE has established careful limitations to assure compliance with applicable U.S. securities laws and TSE will continue, as necessary, to establish further limitations to assure continued compliance with such laws; and
- b. TSE will not provide persons located in the US with direct electronic access to the Exchange without express approval from the Commission.

Conclusion

TSE will continue to be an organized exchange organized, operating and regulated under the laws of Japan and the fact that TSE, TSE Representatives, or Trading Participants make TSE

⁸ See, Memorandum of the United States Securities and Exchange Commission and the Securities Bureau of the Japanese Ministry of Finance on Sharing Information (May 23, 1986).

equity and index products known to a particular sophisticated segment of the United States financial community will not alter this fact.

S&P/TOPIX 150 Index option contracts will be important new tools for customers in the United States to manage their exposure to global markets. For this reason, based on the facts and circumstances set forth herein and in the enclosed Updated Disclosure Document, and subject to continuing compliance with the terms and conditions of the July 1999 No-Action Letter, except that the Updated Disclosure Document rather than the July 27, 1999 TSE Disclosure Document will be provided (such provision to be by Trading Participants rather than by Regular Members or Special Participants), and the additional undertakings set forth herein, we request that the Division confirm that it will not recommend enforcement action to the Commission as set forth above.

We very much appreciate your prompt consideration of this matter. If you have any questions concerning this matter, please do not hesitate to contact me at (212) 363- 2350.

Very truly yours,

Tokyo Stock Exchange, Inc.

By: 

Richard P. Streicher
U.S. Legal Counsel

Enclosures:

Appendix A: Tables I-IV (Information on Composition of Index and Volume of Trading in Underlying Stocks)

Appendix B: Component Stocks that are Subject of ADRs

S&P/TOPIX 150 Futures and Options Booklet

S&P/TOPIX 150 Booklet

No-Action Letter dated July 27, 1999, from Robert Colby, Deputy Director, Division of Market Regulation, United States Securities and Exchange Commission to Richard P. Streicher, Loeb & Loeb LLP

TOKYO STOCK EXCHANGE (TØ-KYØ SHØ KEN TORI HIKI JO) SPECIAL CHARACTERISTICS AND RISKS OF TOKYO STOCK EXCHANGE EQUITY OPTIONS AND STOCK INDEX OPTIONS, dated October 30, 2000

TOKYO STOCK EXCHANGE, INC. (Kabushiki-gaisha TØ-KYØ SHØ KEN TORI HIKI JO) SPECIAL CHARACTERISTICS AND RISKS OF TOKYO

STOCK EXCHANGE EQUITY OPTIONS AND STOCK INDEX OPTIONS,
dated March 2002

cc: Yvonne Fraticelli, Securities and Exchange Commission