



TSE'S ARROWHEAD REDUCES COSTS OF TRADING JAPANESE EQUITIES

- January 2010 saw a 36% drop in Japanese trading costs compared to the previous month – this is the largest month on month % drop in Japanese trading costs in over a year and a half. This differed from trading cost trends in other Asian markets over the same period – for example Hong Kong saw a smaller 17% drop and Korea saw an increase in average costs between December 2009 and January 2010.
- This equates to an average cost saving of \$18,000 for every USD \$10million of Japanese equities traded in January 2010 compared to December 2009. The reduction in costs was most significant for large cap Japan stocks with a 46% decrease, followed by mid caps at 27% and small caps at 14%.
- Costs had been trending downwards in the aftermath of the global financial crisis, but this monthly drop is sharper and breaks from the trend line. This may be largely attributable to changes in market structure initiated by the Arrowhead project, in particular: average spreads on the TSE narrowing over 15% from 24.4 in Dec 09 to 20.7 in Jan 2010; and a 16.5% uptick in average daily turnover December to January.
- This was accompanied by a 30%+ fall in typical trade size (both volume and value) amongst the most liquid stocks (Nikkei 225). This trend is reflective of developments seen historically in other global markets, for example the U.S.: as electronic trading develops, spreads narrow and automation on trading venues becomes faster. This results in a reduction in average trade size, though total volumes traded remain high or increase.

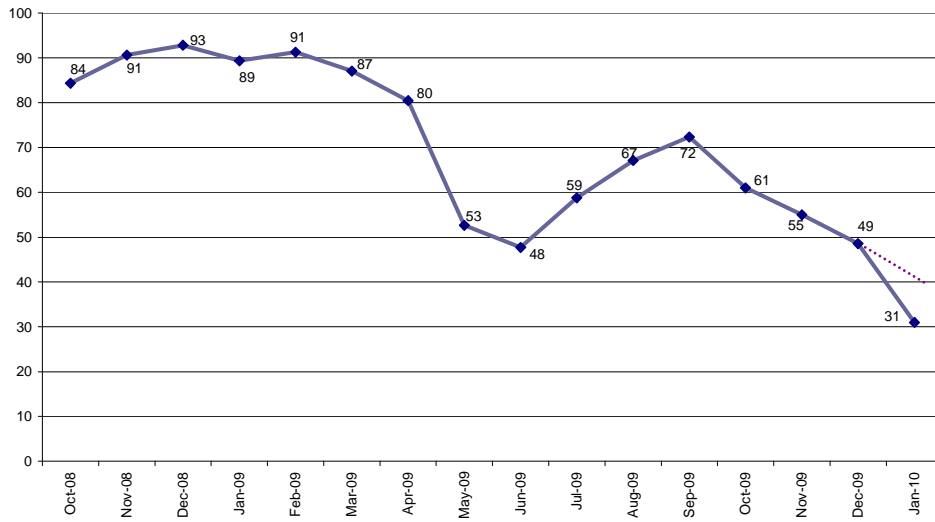
Month	Average cost of trade	% change
January 2009	89	
February 2009	91	+2.2%
March 2009	87	-4.3%
April 2009	80	-8%
May 2009	53	-33.7%
June 2009	48	-9.4%
July 2009	59	+22.9%
August 2009	67	+13.5%
September 2009	72	+7.4%
October 2009	61	-15.2%
November 2009	55	-9.8%
December 2009	49	-10.9%
January 2010	31	-36.7%

Monthly average trading costs for Japanese equities

Analysis taken from ITG's Peer TCA database, covering approximately 20% of total Japanese turnover

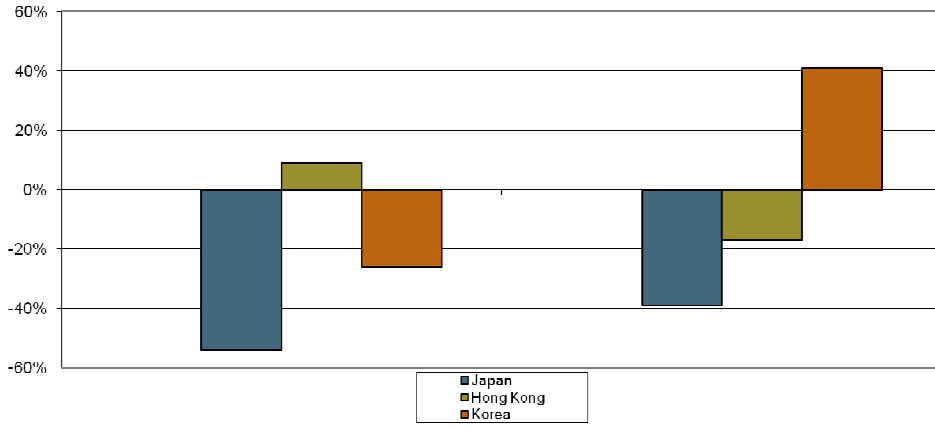
Trading Costs are calculated as the weighted average of all trades in the ITG Trading Cost Peer Universe over the specific time period. The benchmark is the Mid-Point of the Bid/Ask at the time the order was released to the Trading Desk.

Japan - average trading costs vs. IS benchmark

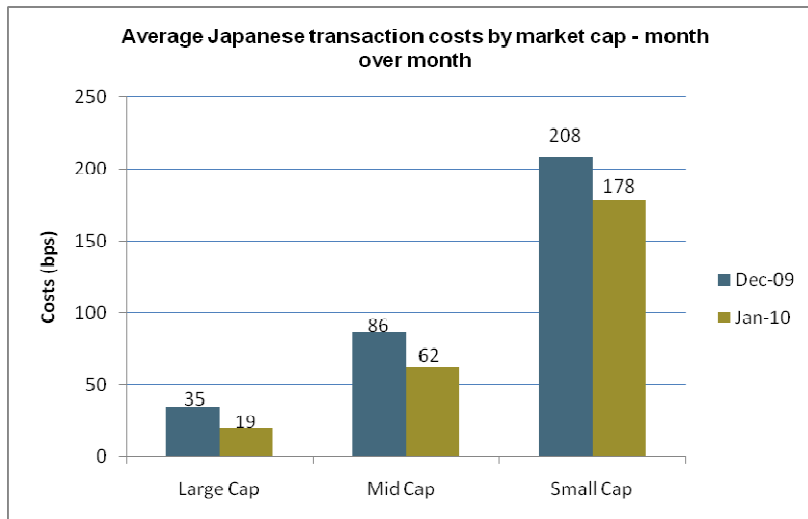


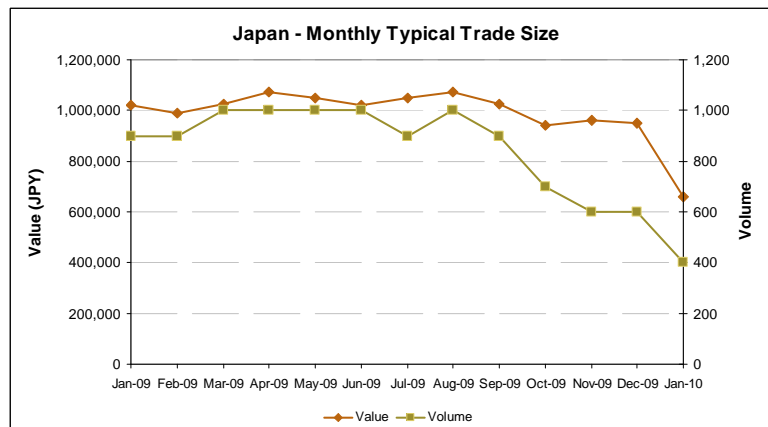
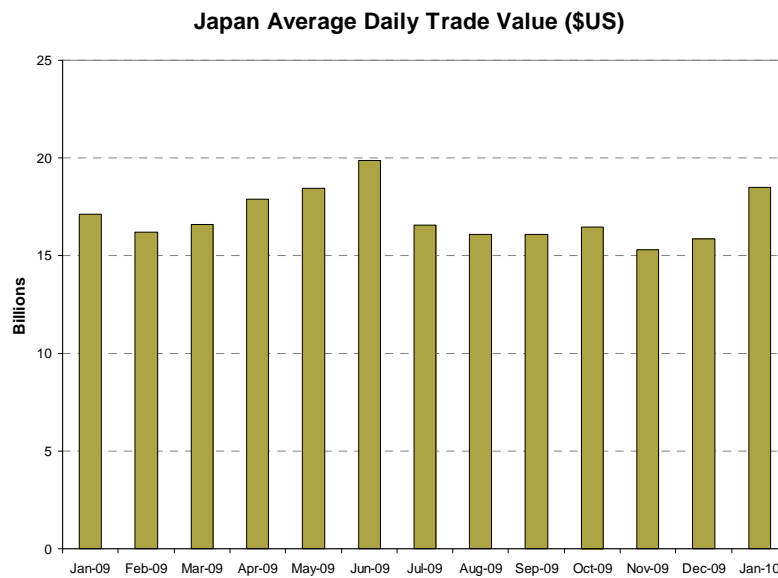
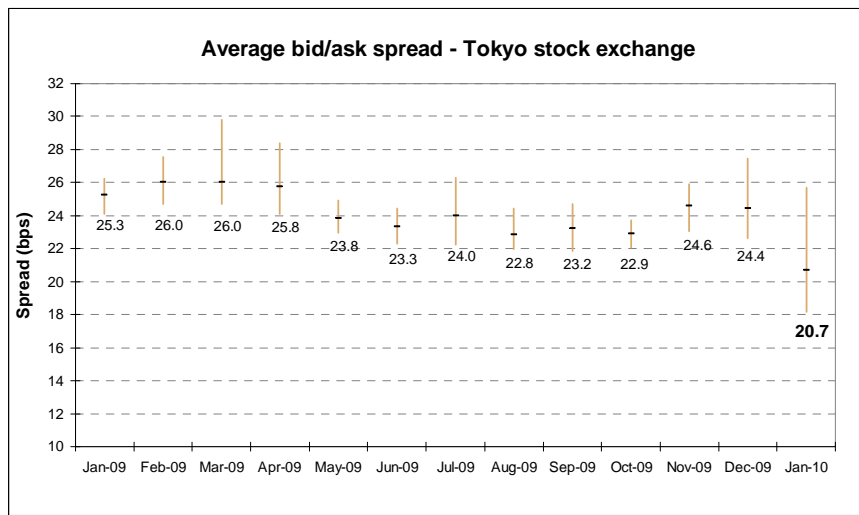
Transaction costs year over year and month over month in different Asian markets

Year over Year (Jan 09 to Jan 10) Month over month (Dec 09 to Jan 10)



Average Japanese transaction costs by market cap - month over month





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