

Securities and Exchange Surveillance Commission's Initiatives

2020-2022

- For Trusted and Attractive Capital Markets -



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A Message from the Chairman

The Securities and Exchange Surveillance Commission ("SESC") was established in 1992 with the aim of ensuring the fairness of transactions and maintaining the trust of investors, and is now entering its 10th three-year term under new leadership.

Since its inception in 1992, the SESC has pursued criminal prosecutions against flawed and material market misconduct and has made recommendations for administrative monetary penalty payment orders and administrative actions for violations of securities laws. The SESC has also conducted oversight through exercising its authority over investigations and inspections in an effort to ensure the fairness and transparency of the markets and the protection of investors.

At present, capital markets are undergoing substantial changes:

- Regarding structural changes, an increase in the number of offshore investments and the globalization of companies, such as diversifying corporate operations towards overseas subsidiaries and outsourcing, are further accelerating the globalization of capital markets and closer integration of various financial markets.
- Regarding fund flows, amidst the global ultra-low interest rate environment is driving the flow of funds into higher-risk and lower-liquidity funds, increase in international tensions and geopolitical risks exacerbate the uncertainty in the global economic outlook.
- Furthermore, rapid progress of digitalization is having a significant impact on all capital markets and market participants. Financial institutions are being pressed to overhaul their business models due to progress in technology, such as AI, and in the utilization of data. The market landscape is being transformed as a result of the proliferation of algorithmic and high-speed trading. In addition, new products and transactions, such as crypto-assets, are emerging.

Meanwhile, the policy priorities of the Financial Services Agency (FSA) are encouraging financial institutions to accommodate the diverse needs of users. For its part, the SESC will make a greater contribution to enabling households' stable asset building and realizing a virtuous circle of fund flow through the protection of investors' interests and market integrity.

Keeping up with such substantial changes in the environment, in the 10th term, the SESC will focus on achieving three goals based on its values: holistic, timely, and in-depth oversight. In order to attain these goals, the SESC will pursue five policy priorities.

For the sustainable growth of the Japanese economy, the SESC will work closely with its peer authorities and self-regulatory organizations(*) to promote integrity and self-discipline of the market through conducting swift and effective market oversight. Ensuring the development of trusted and attractive capital markets that are fair, transparent, and trustworthy, as well as the protection of investors, is the mission of the SESC. The SESC will continue to fulfill its mission and respond to the trust that you place on us. We appreciate your understanding and support.



HASEGAWA Mitsuhiko
Chairman
Securities and Exchange Surveillance Commission
February 2020

(*) Self-regulatory organizations refer to financial instruments firms associations, financial instruments exchanges, and self-regulatory organizations

Chairman and Commissioners



**Commissioner
HAMADA Yasushi**

HAMADA Yasushi was appointed as SESC Commissioner in December 2016 (reappointed in 2019). Previously, he served as the Senior Partner and Director of KPMG AZSA LLC, and a professor of Graduate School of Professional Accountancy, Aoyama Gakuin University.

**Chairman
HASEGAWA Mitsuhiro**

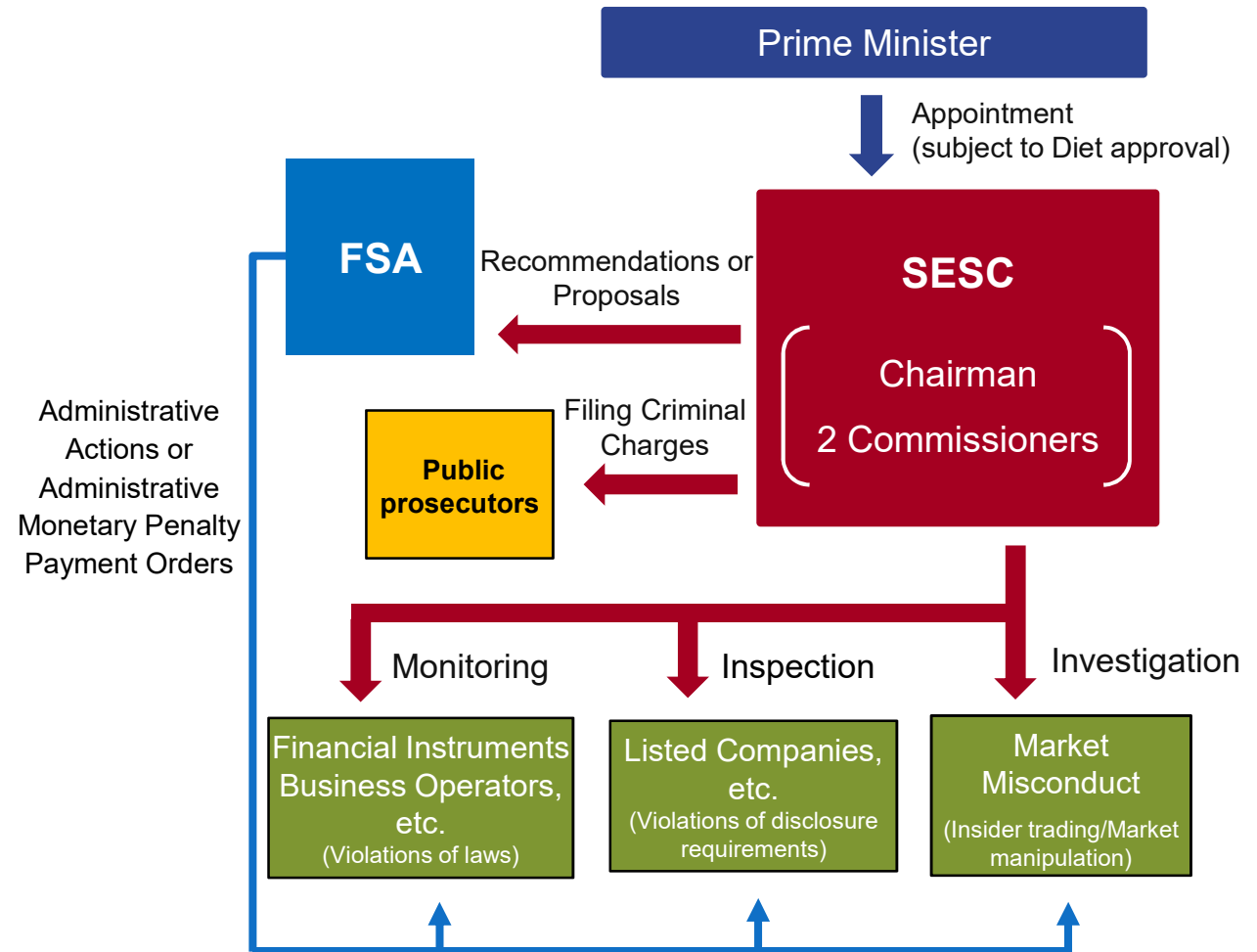
HASEGAWA Mitsuhiro was appointed as SESC Chairman in December 2016 (reappointed in 2019). Previously, he served as the Chief Public Prosecutor of Nagoya District Public Prosecutors Office and the Superintending Public Prosecutor of Hiroshima High Public Prosecutors Office.

**Commissioner
KATO Sayuri**

KATO Sayuri was appointed as SESC Commissioner in December 2019. Previously, she served as Director of the Consumer Affairs Agency, Vice-Governor of Nagano Prefecture, and Executive Vice President of the National Consumer Affairs Center of Japan.

I Organization and Objectives

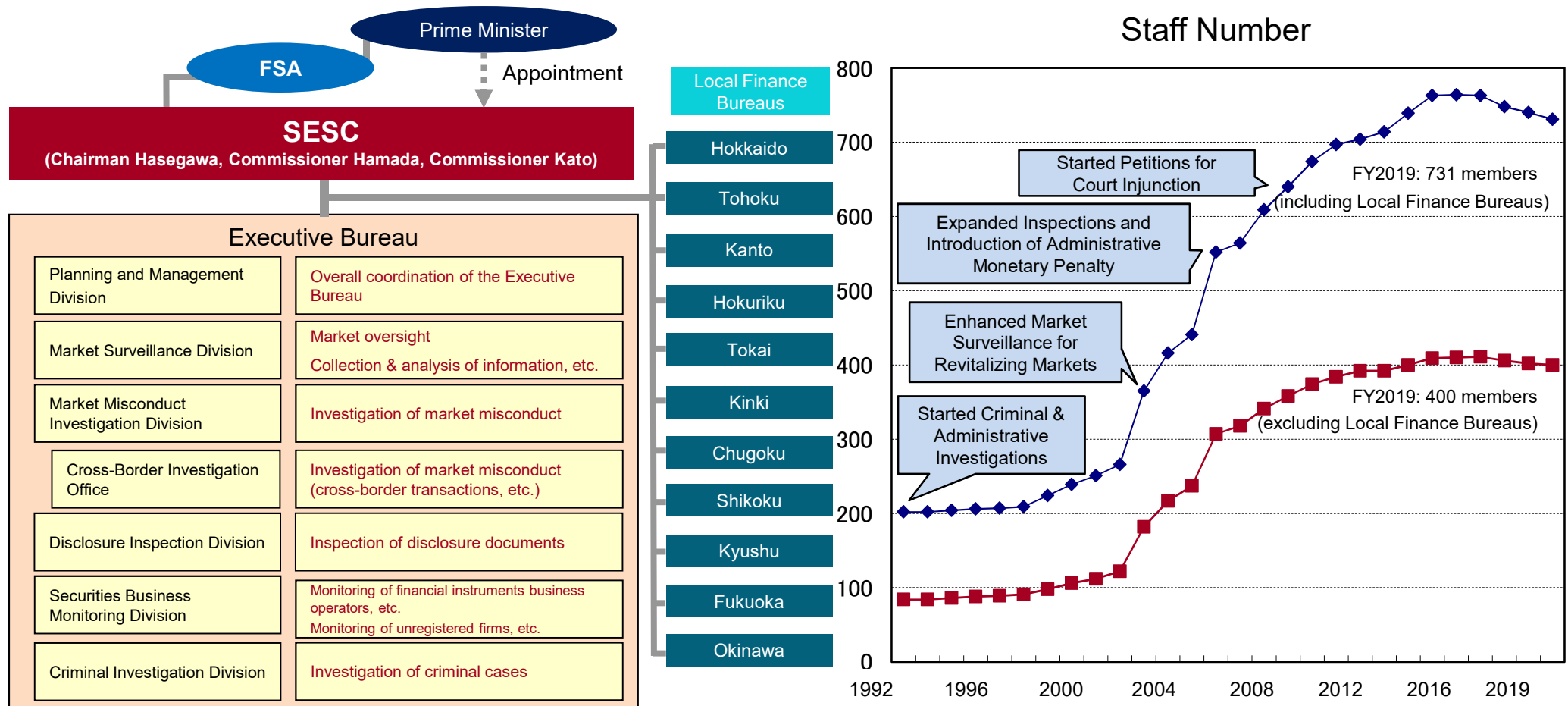
- ◆ The SESC was established within the Financial Services Agency (FSA) in accordance with the Act for Establishment of the Cabinet Office and the Act for Establishment of the Financial Services Agency (established in 1992).
- ◆ The SESC functions as a council, consisting of a Chairman and two Commissioners. Each member is appointed by the Prime Minister and functions as an independent agent. (Term of office: 3 years)
- ◆ The SESC aims to ensure the fairness and transparency of markets and to protect investors.
 - Investigations of market misconduct including insider trading and market manipulation
 - Inspections of violations in disclosure requirements by listed companies
 - Monitoring of violations of laws by Financial Instruments Business Operators (FIBOs)* and unregistered business operators.
 - Recommendations of administrative actions or administrative monetary penalty payment orders, or filing criminal charges based on the results of the above investigations, inspections or monitoring



* "FIBOs" stands for Financial Instruments Business Operators and includes any business operator subject to securities monitoring, such as registered financial institutions, financial instruments intermediary service providers, and qualified institutional investors

Organization and Staff Number

- ◆ The Executive Bureau is composed of the following six divisions: Planning and Management Division, Market Surveillance Division, Market Misconduct Investigation Division, Disclosure Inspection Division, Securities Business Monitoring Division, and Criminal Investigation Division.
- ◆ In addition to the Executive Bureau in Tokyo, the SESC has staff members at the Local Finance Bureaus, which perform mainly inspections of financial services providers located in respective areas.
- ◆ There are 731 staff members in total (400 of which work for the Executive Bureau) as of March 31, 2020, the end of fiscal year 2019.



II Activities of the Securities and Exchange Surveillance Commission

—1 Market Surveillance



Market Monitoring :

Gathering and analyzing a wide variety of information on markets

- Conduct a forward-looking, macro-economic analysis of economic conditions and trends
- Understand trends in both primary and secondary markets and across individual companies (including new financial instruments and transactions)
- Receive tips, complaints and referrals from investors (6,000 to 7,000 per year)
- Retain close relationships for sharing information on the listed companies with compliance divisions of Self-Regulatory Organizations

Sharing
Information

Sharing
Information

Examination of Transactions :

Early detection of signs of market misconduct in securities trading

- Collect and analyze suspicious transaction data that may be related to market misconduct such as insider trading, market manipulation and use of fraudulent means (about 1,000 cases per year)
- Retain close relationships for sharing information with the surveillance divisions of Self-Regulatory Organizations

Referring Cases

Investigation or Inspection Divisions



II Activities of the Securities and Exchange Surveillance Commission

—2 Investigation of Market Misconduct

(1) Investigation of Transactions

On-site inspections and interviews

- The SESC conducts on-site inspections and/or interviews with traders and/or listed companies to determine whether market misconduct, including insider trading, market manipulation, or use of fraudulent means (e.g. fictitious increase in capital) has occurred.



When the SESC identifies a violation

Recommendation for administrative monetary penalty payment orders

The SESC will make a recommendation to the Prime Minister and the Commissioner of the FSA to issue an order to pay an administrative monetary penalty.



- Violators of insider trading generally fall into two categories, with the second category now accounting for more than half of investigations:
 - ✓ corporate insiders (incl. executives and employees, persons who concluded contracts, and negotiators) and
 - ✓ primary recipients of information (incl. trading partners, relatives, and friends).
- Large number of market manipulators are individual investors. Also, market manipulation is largely conducted via online trading.

II Activities of the Securities and Exchange Surveillance Commission

—2 Investigation of Market Misconduct

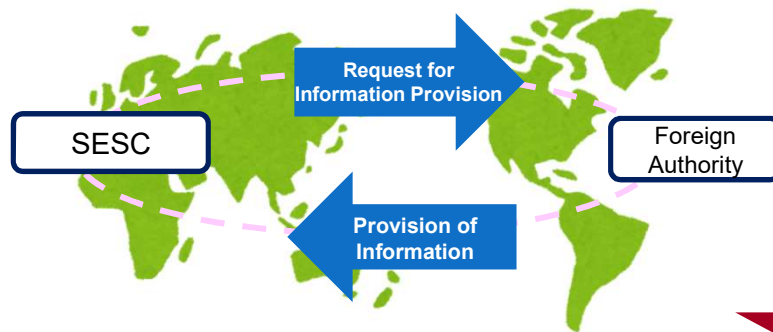
(2) Investigation of Cross-Border Transactions/ Transactions by Institutional Investors

Investigation of cross-border transactions

- The SESC investigates market misconduct stemming from orders from overseas.
- The SESC requests foreign authorities to provide information pursuant to the MMoU(*).
- The SESC performs investigations with reference to the information provided.

Investigation of transactions by institutional investors

- The SESC conducts on-site inspections and asks questions concerning the possibility of market misconduct by institutional investors.



When the SESC identifies a violation of laws

Recommendation of administrative monetary penalty payment orders

- The SESC will make a recommendation to the Prime Minister and the Commissioner of the FSA to issue an order to pay an administrative monetary penalty.

(*) A framework formulated by IOSCO for consultation/cooperation and information exchange among securities regulators around the world (124 authorities had signed as of December 2019)

- IOSCO: International Organization of Securities Commissions
- MMoU: Multilateral Memorandum of Understanding

II Activities of the Securities and Exchange Surveillance Commission

—3 Inspection of Disclosure Statements

Gather and analyze information

- The SESC gathers and analyzes information through various channels, such as information-receiving desks.
- The SESC continuously monitors listed companies from a forward-looking perspective and various other perspectives.



On-site Inspections of listed companies

The SESC inspects listed companies suspected of submitting disclosure documents with false statements (e.g. securities registration statements, annual securities reports and large-shareholding reports).



Recommendation for administrative monetary penalty payment orders

When the SESC identifies a violation of disclosure requirements

- If a violation of disclosure regulation such as a false statement with respect to a material issue contained in a disclosed document is identified, the SESC will recommend the issuance of an administrative monetary penalty payment order to the listed company concerned.
- Even if such a recommendation is not made, the SESC urges the company to make voluntary improvements in its disclosed documents as necessary.



Prevention of recurrence of violations

- The SESC discusses with the listed company's management and outside directors on the root cause of the disclosure regulation violation.
- By sharing awareness of problems, the SESC urges the company to build an appropriate disclosure structure.

II Activities of the Securities and Exchange Surveillance Commission

—4 Monitoring of Financial Instruments Business Operators

Effective and Efficient Monitoring

- Improve the effectiveness and efficiency of monitoring by conducting integrated and seamless on-site/off-site monitoring of approximately 7,500 regulated FIBOs*
- Conduct off-site risk assessment of the regulated firms' business models and the appropriateness of its risk management
- Based on the risk assessment, decide which FIBOs will be subject to on-site inspection



* Figures as of October 31, 2019



On-site Inspection

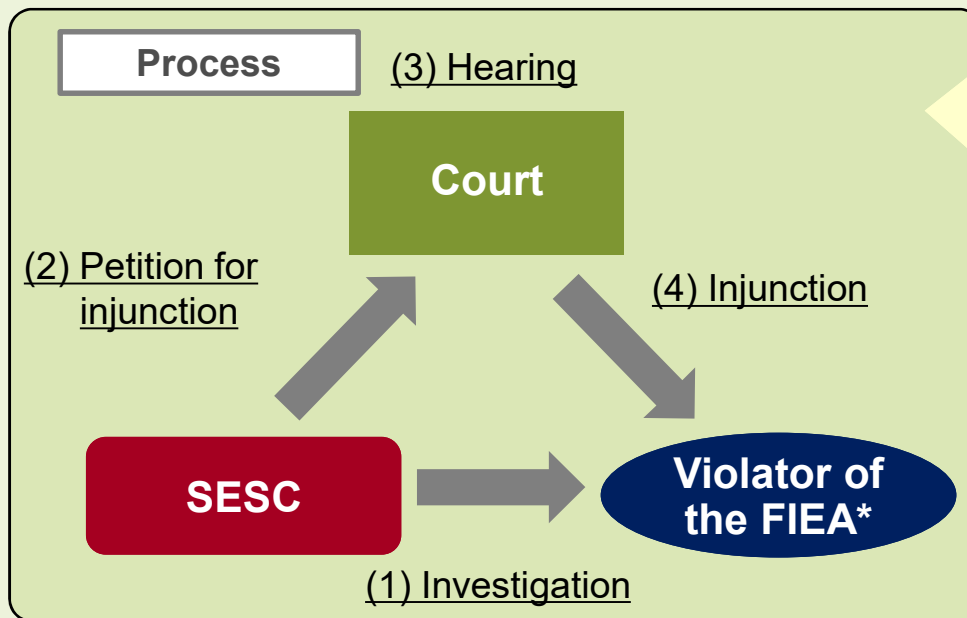
- Review the appropriateness of business operations after in-depth analysis of their products and transaction strategies
- Address identified problems not only through just identifying violations of laws and regulations but also through conducting additional analysis to identify their root-causes through a review of management policies and strategy, governance, and personnel and remuneration policies
- Recommend administrative actions to the Prime Minister and the Commissioner of the FSA in response to serious violations



Actions against Scams by Unregistered Operators

Petitions for Court Injunction

- In cooperation with investigative authorities, the SESC conducts investigations to prevent harm to investors from fraud caused by unregistered firms.
- The SESC can file petitions for court injunction against firms found to be violating the law to prohibit or suspend the violation.
- Where necessary, the SESC may publicly disclose the name and other information of unregistered firms.



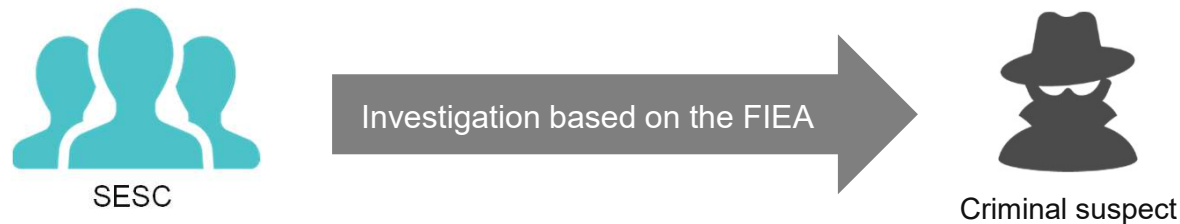
Watch out for scams by unregistered operators like this one!

[Example of injunction request]

- ⇒ An unregistered investment advisory business operator urged investors who had registered as members on its website to conclude investment advisory contracts after presenting them its false past performance.
- ⇒ Without registration, it provided investment advice to investors who signed contracts, and obtained more than 3.7 billion yen from approximately 3,700 investors.

II Activities of the Securities and Exchange Surveillance Commission

—5 Investigation of Criminal Cases



Investigations of serious and egregious violations

The SESC investigates cases of serious breach of applicable laws such as insider trading, market manipulation and submission of false securities reports.

Non- compulsory Investigation

The SESC may question a suspect or witness of a criminal case and inspect articles that a suspect or witness possesses.

Compulsory Investigation

The SESC may search a company and a residence of a suspect/witness and seize relevant documents under a search warrant issued by a judge.

* Experts such as Certified Public Accountants and IT professionals (for digital forensics) participate in investigations.

Filing of Criminal Charges

The SESC files criminal charges with public prosecutors offices against suspects based on the results of investigations.

III Strategy & Policy of the SESC 2020-2022

- For Trusted and Attractive Capital Markets -

Mission

Through proper and appropriate market oversight, the SESC

1. Ensures market fairness and transparency, and protects investors
2. Contributes to the sound development of capital markets
3. Contributes to sustainable economic growth

SESC's Market Vision

Markets with strong confidence, where market participants share their commitment towards the sound development of capital markets and solid investor protection, fulfill their expected roles and exercise their professionalism^(*)

(*) Proper disclosure by listed companies etc.
 Legal compliance and customer-oriented business administration by market intermediaries
 Self-discipline by market users
 Professional market surveillance

Philosophies and Goals

Fairness

Accountability

Forward-
looking

Effectiveness
and
Efficiency

Close
Cooperation

Commitment to
Excellence

<Based on these philosophies, the SESC aims to achieve the following in terms of market surveillance>

Holistic oversight

- Vigilance against new financial products and transactions
- Surveillance of multiple markets and cross-market activities
- Protecting investors of diverse characteristics
- Holistic and comprehensive investigation of cases and cross-sectoral application of findings
- Enhanced outreach to stakeholders

Timely oversight

- Early detection of market misconduct
- Preemptive actions against market misconduct
- Effective investigation and inspection, and swift corrective action

In-depth oversight

- Identifying root causes of problems
- Recognizing structural issues of the markets through in-depth and cross-sectoral analysis

Environmental Scan

Further globalization of markets and corporate activity and closer integration of various financial markets

Heightened uncertainty concerning the outlook for the world economy

Rapid advance of digitalization

Stronger measures to promote stable asset accumulation by citizens and the smooth circulation of funds

Five policy priorities to achieve the goals

(1) Enhanced Intelligence Gathering

- Forward-looking surveillance with macro-economic perspectives
- Cross-sectoral surveillance across financial markets
- Intelligence gathering through closer cooperation with foreign authorities

(2) In-depth Analysis and Swift and Effective Investigations and Inspections

- Multi-directional/dimensional analysis and review
- Swift recommendation for administrative monetary penalty payment orders
- Effective and efficient investigations and inspections of cross-border cases
- Rigorous enforcement of criminal investigation against market misconduct
- Risk-based examination of financial instruments business operators
- Proactive response to cases where investors are harmed

(3) Effective Measures for Strengthened Market Discipline

- Multi-dimensional/directional use of insights from investigations and inspections
- Root-cause analysis and engagement with stakeholders to prevent recurrence of market abuse
- Enhanced outreach domestically and globally as pre-emptive measures against market misconduct
- Extensive measures for seamless surveillance

(4) Response to Digitalization and Strategic HR Development

- Advanced and efficient surveillance with digitalized technologies
- In-time response to rapid digitalization in the capital market
- Strategic HR development

(5) Cooperation with Various Stakeholders

- Closer cooperation with SROs
- Enhanced cooperation with stakeholders
- Enhanced contribution to global market oversight

Continuous Review of Oversight Approach through PDCA Cycle

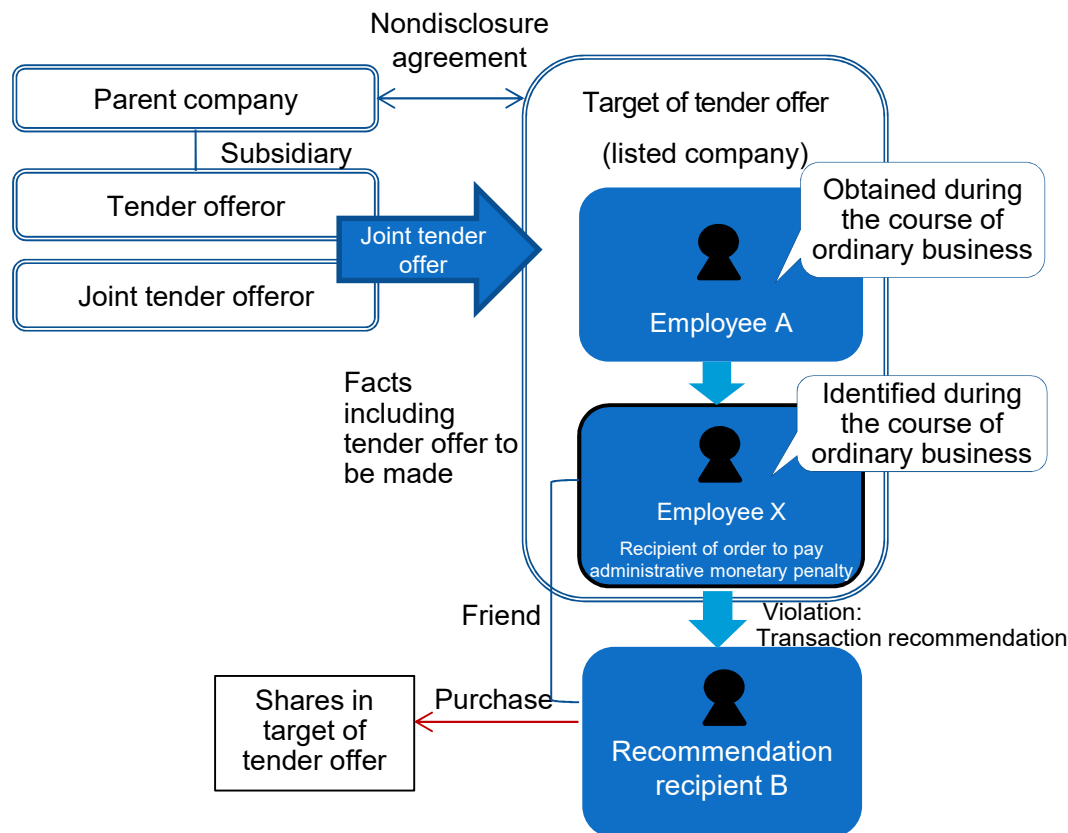
IV Major Cases and Statistics

Examples of Major Cases in 2017-2019

Recommendation (market misconduct)

Recommendation for administrative monetary penalty (transaction recommendation)

[Overview of violation]



Case summary

Employee X of a listed company identified, during the course of ordinary business, that a tender offer was going to be made against the company. X passed it to his friend B and recommended to purchase the shares with the intention of letting B gain profits. Internal regulations of the company contained no provisions concerning transaction recommendations and internal training programs did not cover the topic.

Case characteristics

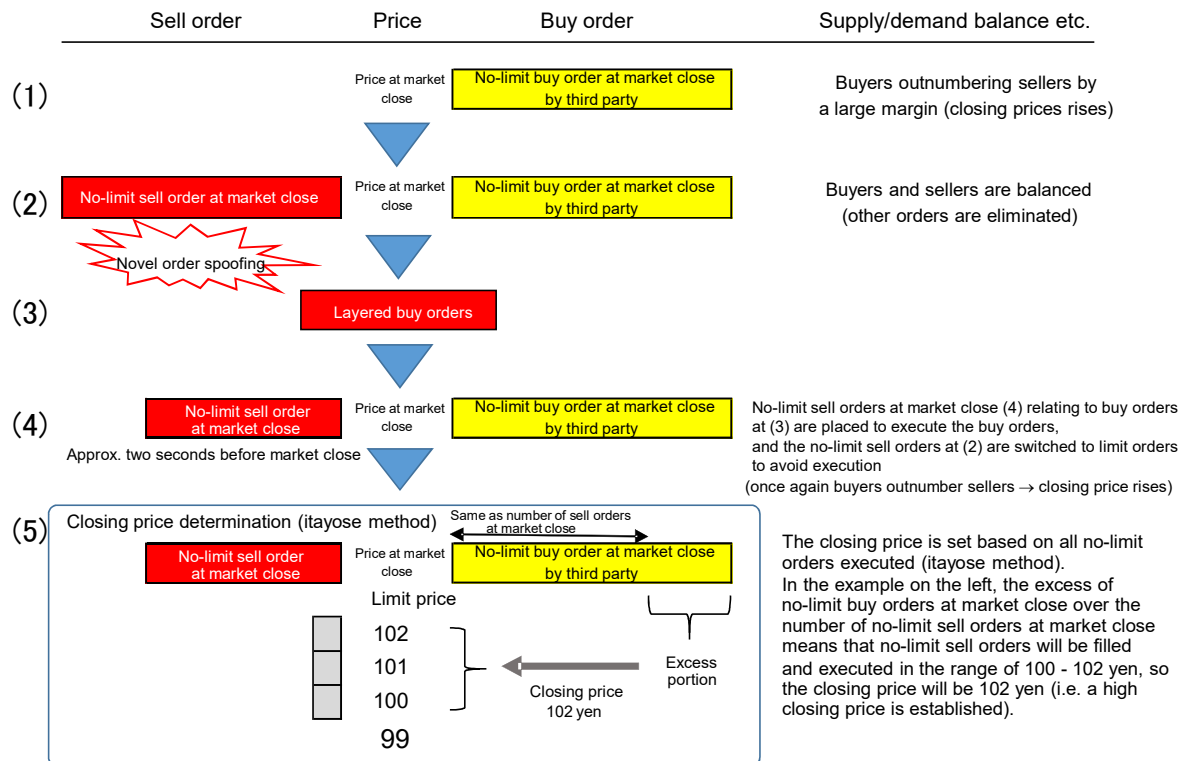
This was the first case of recommendation for administrative order solely against a transaction recommendation.

Examples of Major Cases in 2017-2019 (continued)

Recommendation (market misconduct)

Recommendation for administrative monetary penalty (unique trading method of spoofing)

[Overview of unique trading method of spoofing]



*A no-limit order at market close is a no-limit order that is only effective at the market close (morning session or afternoon session).

Case summary

Just before the market close, an individual investor avoided execution by placing unique spoof orders (by switching them to limit orders at the market close) to make the market close with the impression that the buy order was predominant. The investor then sold shares at a high price.

Case characteristics

This was the first case where a unique trading method of spoofing (*) was deemed as fraudulent means.

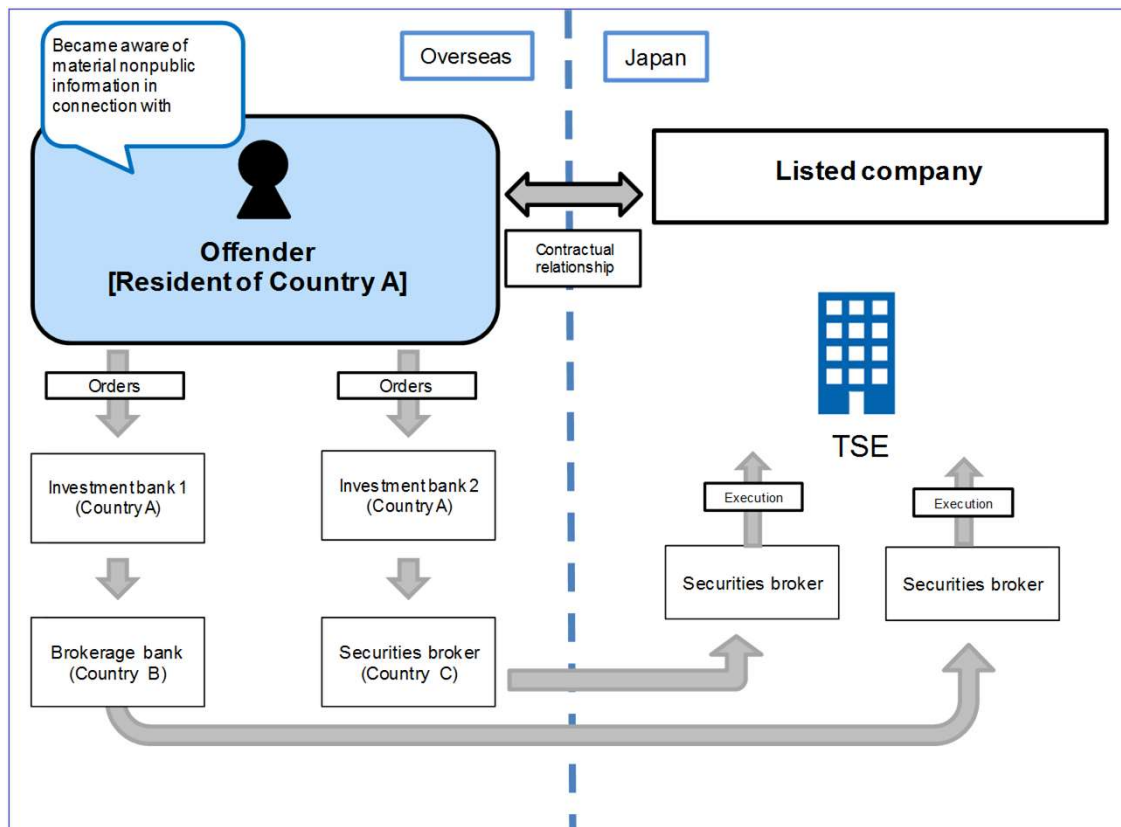
(*) For example, this method focuses on shares where buy orders at market close outnumber no-limit sell orders at market close. It then places no-limit sell orders at market close without any intention of executing them, creating an impression that the number of shares subject to buy and sell orders is balanced. This would eliminate trading by other investors.

Examples of Major Cases in 2017-2019 (continued)

Recommendation (cross-border transactions)

Recommendation for administrative monetary penalty (insider trading by an overseas resident)

[Overview of violation]



Case summary

Offender was an individual investor who resided overseas. The offender had a contractual relationship with a Japanese listed company and obtained material non-public information that the listed company would downgrade its earnings forecasts. The offender sold shares of the listed company before public announcement of the information.

Case characteristics

The SESC investigated this case with assistance from several foreign authorities.

Examples of Major Cases in 2017-2019 (continued)

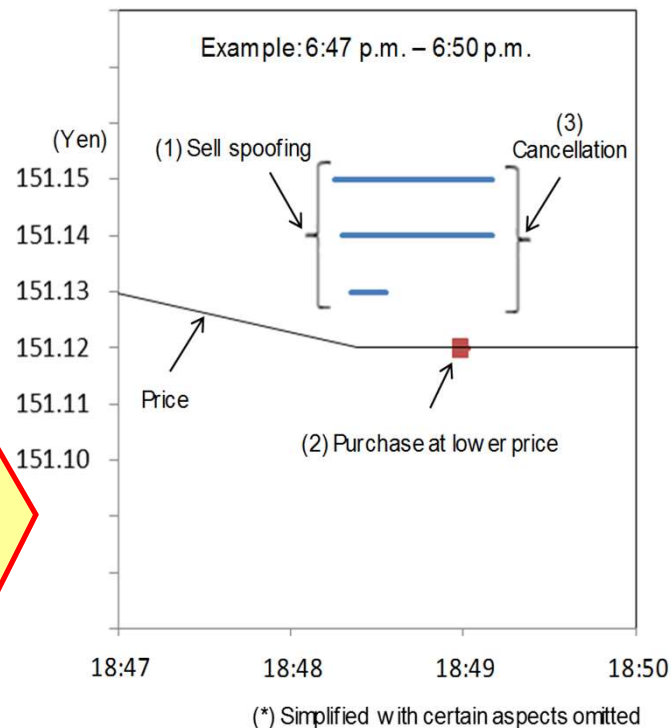
Recommendation (market misconduct by an institutional investor)

Recommendation for administrative monetary penalty (market manipulation regarding long-term Japanese government bond futures (JGB Futures))

[Act of violation and price movement (example)]

Sell spoofing method

- (1) Places sell orders at/above the best offer price without intention of execution (induced other investors' sell orders at lower prices)
- (2) Makes purchase by placing buy order to match induced sell order
- (3) A few seconds later, cancels the order placed in (1) (sell spoofing)



Case summary

Offender was a large securities firm. A trader who worked at the dealing section repeatedly placed and cancelled a number of sell/buy orders with the purpose of inducing transactions from other market participants and manipulated the long-term Japanese government bond futures market.

Case characteristics

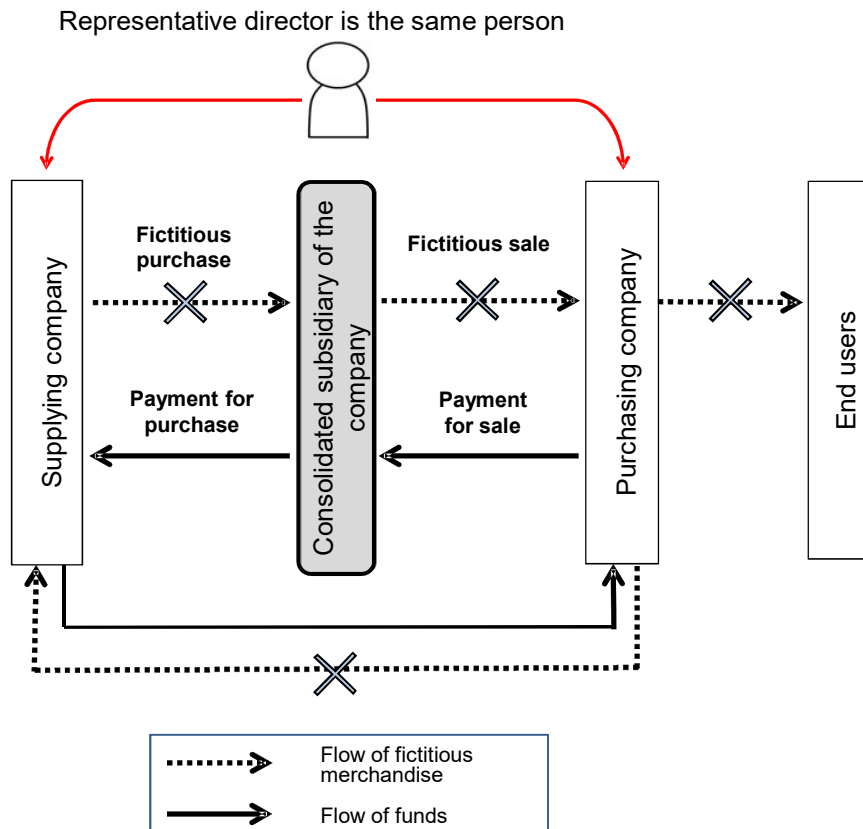
This case resulted in the largest ever administrative monetary penalty being imposed on a securities firm for market manipulation in relation to exchange-traded derivatives.

Examples of Major Cases in 2017-2019 (continued)

Recommendation (disclosure inspections)

Recommendation for administrative monetary penalty (false statements in annual securities report by overstating sales through round-trip transactions)

[Overview of violation]



Case summary

A consolidated subsidiary of the company (company submitting the annual securities report) conducted fictitious transactions involving a supplying company and a purchasing company run by the same representative director (round-trip transactions), and conducted inappropriate accounting such as overstating sales.

Case characteristics

Two other companies that had conducted fictitious transactions similar to this case, which involved a supplying company and a purchasing company with the same representative director, were also subject to recommendations for administrative monetary penalties.

Examples of Major Cases in 2017-2019 (continued)

Recommendation (disclosure inspections)

Recommendation for administrative monetary penalty (false statements regarding officers' compensation in the corporate governance section of annual securities report)

[Overview of violation]

Annual Securities Report

Part 1: Information on the Company

1. Overview of the Company
2. Business Overview
3. Equipment and Facilities
4. Corporate Information

Corporate governance
Officers' compensation etc.

5. Financial Information
- ⋮

Details of false statements

- Deferred compensation, part of the monetary compensation for the representative director and chairman (at the time), was labeled separately and not disclosed
- Monetary compensation for the representative director (at the time) of an amount no less than 100 million yen was not disclosed
- Regarding stock appreciation rights (SAR), the difference between fair value at the time of award to each director (which was disclosed) and the amount paid by each director at the time of exercise was not disclosed

Case summary

The company submitted an annual securities report containing false information regarding the executive officers' compensation in the corporate governance section of the report.

Case characteristics

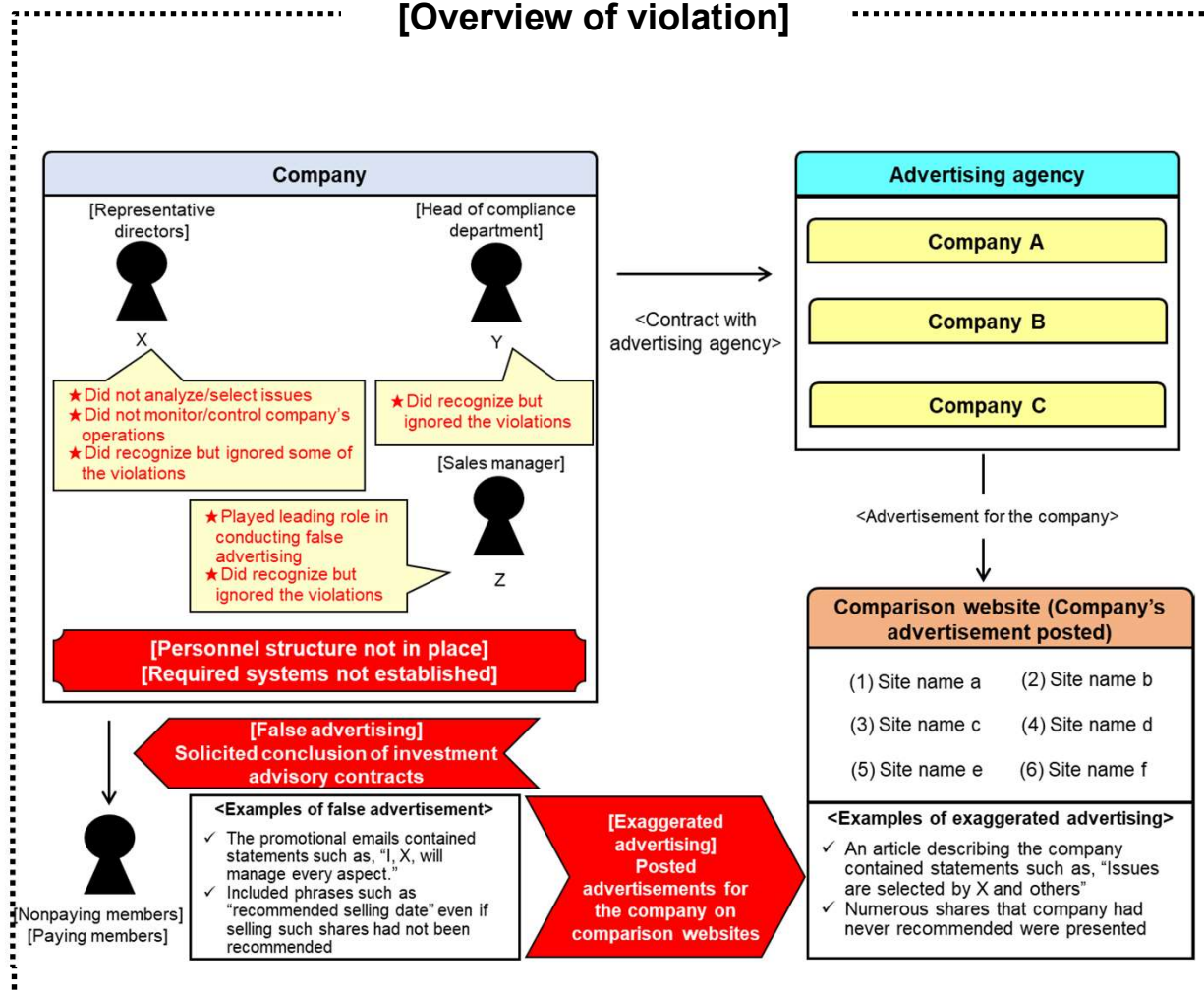
With this case, a recommendation for order to pay administrative monetary penalty was made in connection with the false statements in the corporate governance section, which constitutes nonfinancial information in the annual securities report.

Examples of Major Cases in 2017-2019 (continued)

Recommendation (securities monitoring)

Recommendation for administrative disciplinary action (seriously misleading advertisement)

[Overview of violation]



Case summary

An investment advisory company made announcements which contained "recommended date for trading" by email solicitations regarding the investment advisory contracts even though the company had not made sales recommendations. In addition, the company posted false investment advisory performance on a website for comparing and rating investment advisors despite the fact that the company had not provided advices on such shares. (The company's registration was revoked.)

Case characteristics

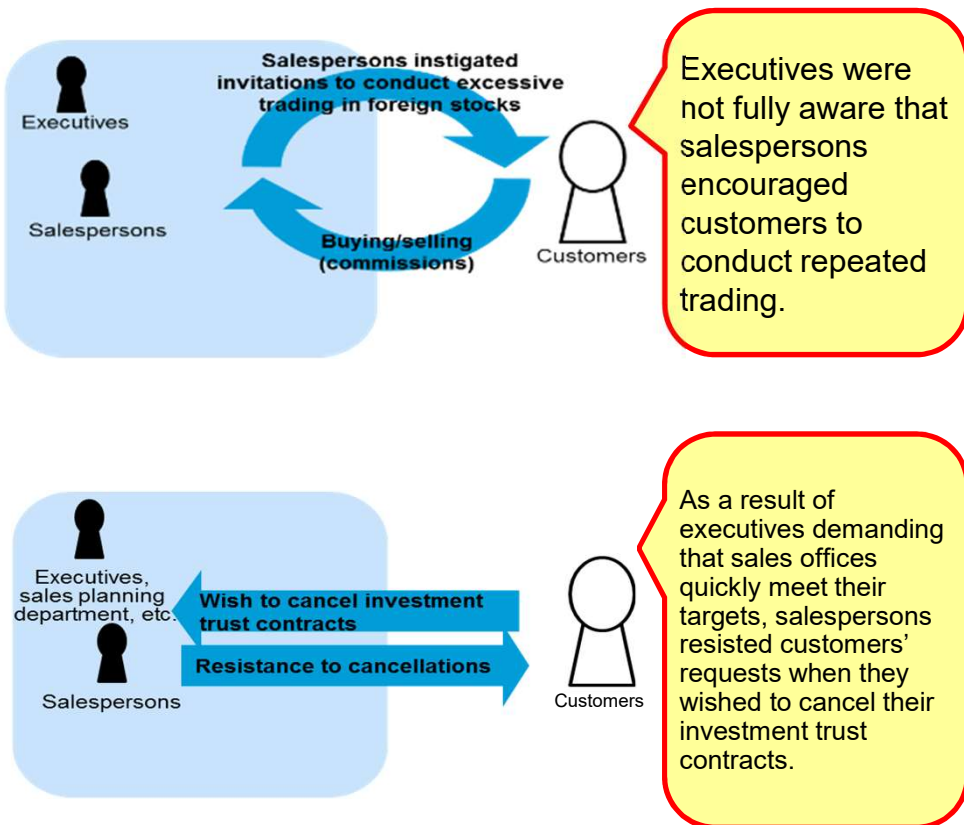
This was a case in which posting numerous articles designed to look as though they were posted by a third party (so-called "fake reviews") on the website was deemed as violation of the Financial Instruments and Exchange Act.

Examples of Major Cases in 2017-2019 (continued)

Warning (securities monitoring)

Warning against inappropriate sales practice

[Overview of violation]



Case summary

Salespersons encouraged customers to make frequent trading in foreign shares and inflicted losses on them by imposing commissions. In addition, salespersons prevented customers from terminating contracts, which was not in line with customers' interest, to avoid decreasing the balance of investment trusts and to make the average holding period longer.

Case characteristics

This was a case that highlighted harmful conduct for investors by a securities firm that essentially failed to satisfy the principle of customer-oriented business conduct.

Examples of Major Cases in 2017-2019 (continued)

Filing of Criminal Charges

Filing of criminal charges for conducting fraudulent means concerning the medical account receivables securitized bonds ("Receipt Bonds")

March 6, 2017, etc.
Chiba District Public
Prosecutors Office

Suspect company A (Issuer of the bonds), suspect company B (Distributor), and executive officers of the companies made employees of both companies provide false explanations to securities firms across the country. In addition, they also made employees of such other securities firms who did not know the circumstances to solicit their customers using false proposal documents. (The securities firms were also imposed administrative actions)

Filing of criminal charges against numerous suspects of collusion in market manipulation over a long period

November 21, 2017, etc.
Tokyo District Public
Prosecutors Office

Seven suspects in conspiracy with others committed market manipulation by executing a series of purchase orders for shares in a listed company at prices above the best offer and by placing several purchase orders at prices below the best offer to support the price for the purpose of raising the price of the shares. They also conducted fake sales and wash sales.

Filing of criminal charges for submitting securities reports containing false statements on executive officers' compensation

December 10, 2018, etc.
Tokyo District Public
Prosecutors Office

The suspect company and two of its officers were charged with submitting securities reports containing false statements. Suspect A colluded in submitting securities reports that contained false information on the amount of Suspect A's compensation as an executive officer.

Filing of criminal charges for insider trading by employees of a securities firm providing financial advisory services

December 18, 2018
Osaka District Public
Prosecutors Office

In the course of their duties, Suspect A, an employee of a securities firm providing financial advisory services to a company, came to know about a takeover bid by the company and passed the fact to Suspect B for the purpose of enabling Suspect B to gain profits. Suspect B then purchased shares before the information was made public.

Filing of criminal charges for submitting a securities report containing false statements in a consolidated statement of cash flows

March 20, 2019
Tokyo District Public
Prosecutors Office

Regarding the operations and assets of the suspect company, the suspects colluded to submit securities reports containing false statements in a consolidated statement of cash flows to the Director General of the Kanto Local Finance Bureau.

Filing of criminal charges for providing loss compensation by a securities firm

July 9, 2019
Tokyo District Public
Prosecutors Office

The suspect company and the suspects (directors of the suspected company and others) partially compensated customers for their losses in forex margin trading through exchanges (The suspected company registration was revoked.)

Examples of Major Cases in 2017-2019 (continued)

Policy Proposals

Improvement of information provision to investors in loan-type funds

December 7, 2018
Policy proposal to the
Commissioner of the FSA, etc.

The inspections of funds investing in loan business (so-called social lending) found a large number of violations of the Financial Instruments and Exchange Act and serious cases that caused harm to investors. These included misstatement of the use of the funds and providing misleading statements about the borrowers and collaterals. This occurred because if the information that could be used to identify borrowers were disclosed to investors, the act of investing money in the fund would fall under "lending" in the Money Lending Business Act, which may require the investors to register as a money lending business under the Act. As a result, funds had kept borrowers' information anonymous or pooled loans so as to prevent identification of borrowers, but such practices ultimately limited information for investors. To protect investors in this type of fund more rigorously, the SESC made a policy proposal that the FSA take appropriate measures, such as improving the provision of information and explanation for investors' proper investment decision making.

Reference

The regulatory reform implementation plan was adopted by the Cabinet on June 15, 2018. It stated that new regulatory measures that are compatible with the trend of "increasing anonymity and complexity" would be considered. Furthermore, in March 2019, the FSA published the interpretation that, under certain conditions, investors are not required to register as money lending business even if they were informed who the borrowers are. In addition, in May 2019, the Japan Financial Services Association and the Type II Financial Instruments Firms Association published a "Q&A of the Fund investing in Loan Business," which covers the practical aspects of information provision by funds investing in loan business.

Improvement of procedures for electronic evidence gathering and analysis in criminal investigation

February 26, 2019
Policy proposal to the
Commissioner of the FSA, etc.

The number of crimes involving the use of computers has been increasing year by year. To properly respond to this situation, the SESC made a proposal that the FSA take appropriate measures such as stipulating the necessary provisions regarding the seizure of electronic records to gather and analyze electronic evidence in the FIEA (Financial Instruments and Exchange Act).

Reference

On March 15, 2019, the FSA submitted the "bill for responding to diversification in financial transactions associated with the advancement of information and communications technology" to the Diet including amendments of the FIEA that would improve procedures for gathering evidence from electronic records, such as the seizure of certain electronic records. It was enacted on May 31, 2019.

SESC Activities in Figures

Number of Cases Examined

Fiscal Year Category	2015	2016	2017	2018	2019*
Total	1,097	1,142	1,099	1,052	784
Market Manipulation	95	98	83	70	59
Insider Trading	992	1,031	1,002	977	722
Others (e.g., Use of Fraudulent Means)	10	13	14	5	3
(Ref.) Breakdown by Entity					
SESC	481	482	455	427	333
Local Finance Bureaus	616	660	644	625	451

Number of Tips Received

Fiscal Year Category	2015	2016	2017	2018	2019*
Total	7,758	7,600	6,147	7,019	4,480
Tips Received					
By Internet	5,510	5,569	4,551	5,097	3,173
By Telephone Call	1,689	1,370	1,092	1,452	1,012
By Letter	451	475	358	332	202
By Visitation	32	34	26	28	10
From Local Finance Bureaus and Others	76	152	120	110	83
Breakdown by Topics					
Individual Stock	5,448	5,661	4,496	5,448	3,191
Issuer	441	354	236	200	158
Conduct of Financial Instruments Business Operators	1,032	798	599	560	394
Others (e.g., Opinion, Inquiry)	837	787	816	811	737

* The figures of fiscal 2019 are for the period from April 1, 2019 to December 31, 2019.

SESC Activities in Figures

Number of Recommendations and Filed Criminal Charges

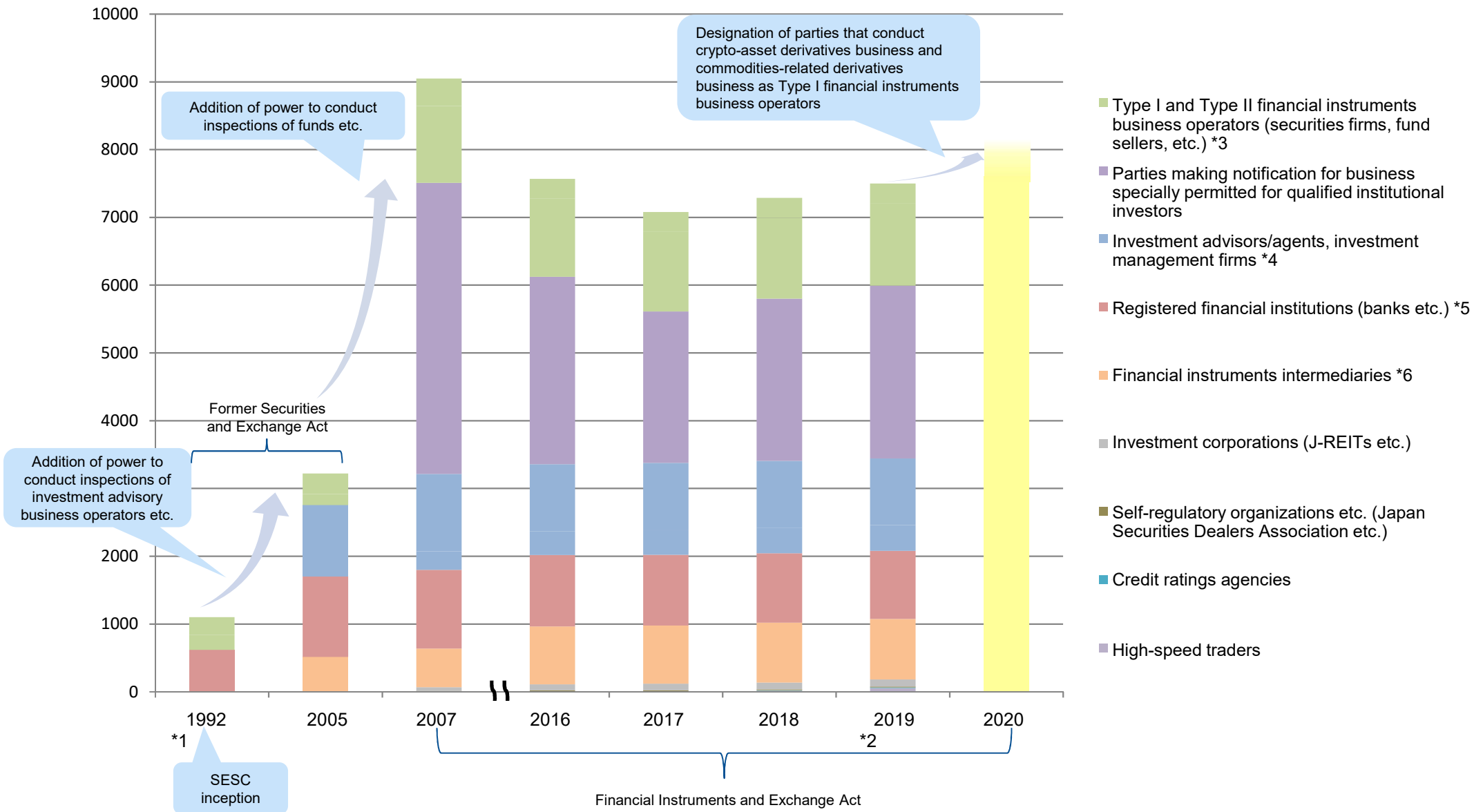
Category \ Fiscal Year	1992 to 2014	2015	2016	2017	2018	2019 ^{*1}	Total
Number of Recommendations	840	59	91	38	54	38	1,120
Recommendations to Take Administrative Actions Against Operators ^{*2}	496	18	35	10	11	9	579
Recommendations to Issue Orders to Pay Administrative Monetary Penalties	340	41	56	28	43	29	537
Disclosure Containing False Statements	88	6	5	2	10	5	116
Market Manipulation	48	12	8	5	7	3	83
Insider Trading	203	22	43	21	23	21	333
Use of Fraudulent Means	1	1	0	0	3	0	5
Recommendations for Order to Submit Revised Report, etc.	4	0	0	0	0	0	4
Number of Filed Criminal Charges	173	8	7	4	8	3	203
Disclosure Containing False Statements	38	3	0	0	3	1	45
Spreading of Rumors, Use of Fraudulent Means	24	2	2	0	0	0	28
Market Manipulation	25	1	3	2	0	0	31
Insider Trading	75	2	2	2	5	1	87
Others	11	0	0	0	0	1	12
Announcements of Inspection Results of QII Business Operators	42	17	23	4	0	0	86
Petitions for Court Injunction	14	3	1	2	2	2	24
Policy Proposals	24	0	0	0	2	0	26

*1: The figures of fiscal 2019 are for the period from April 1, 2019 to December 31, 2019.

*2: In line with the revision of the FIEA (enforced in Mar. 2016), the SESC began to make recommendations to take administrative actions against QII Business Operators as well from FY2016.

*3: "Market Manipulation," "Insider Trading" and "Use of Fraudulent Means" count persons subject to orders to pay administrative monetary penalties.

No. of Business Operators Subject to Securities Inspections



*1 1992-2007 are program years
*2 Figures are as of October 31, 2019

*3 Under the former Securities and Exchange Act, financial futures business operators and domestic/foreign securities firms were included
*4 Under the former Securities and Exchange Act, investment trusts, investment advisory business operators, etc. were included

*5 Under the former Securities and Exchange Act, financial institutions permitted to conduct securities business (retail) were included
*6 Under the former Securities and Exchange Act, securities intermediaries were included

V SESC Website and Other Information

SESC Website

<https://www.fsa.go.jp/sesc/english/>



SESC Twitter



@SESC_JAPAN



This Twitter account is not designed to receive information from the public.

If you wish to provide information to the SESC, please use the contact details on the back cover of this document.

Main Contents



Casebook of Administrative Monetary Penalties (Market Misconduct) and Casebook of Disclosure Inspections

[URL] <https://www.fsa.go.jp/sesc/jirei/index.htm> (Japanese Version Only)

[Overview] Contain past cases of recommendations for administrative monetary penalty payment order and others made by the SESC to enhance the transparency of market oversight administration and encourage market participants to become self-disciplined



Overview/Casebook of Securities Monitoring

[URL] <https://www.fsa.go.jp/sesc/kensa/shitekijirei.htm>

[Overview] Contains issues etc. at financial instruments business operators identified through on-site monitoring (on-site inspections) and off-site monitoring



2019 Program Year Basic Policy for Securities Monitoring

[URL] <https://www.fsa.go.jp/sesc/houshin/index.htm>

[Overview] Contains the basic action policy for the monitoring of financial instruments business operators and main matters to be investigated during the 2019 program year



Annual Report

[URL] <https://www.fsa.go.jp/sesc/english/reports/reports.htm>

[Overview] Summary of the SESC's activities over the year (Published every year under the provision of the Act for Establishment of the FSA)



Message to the market

[URL] <https://www.fsa.go.jp/sesc/message/index.htm> (Japanese Version Only)

[Overview] Provides the SESC's recent initiatives and messages to the market to raise awareness

Providing Information to the SESC

<Weekdays: 8:45 am – 5:00 pm (UTC+9)>

Direct phone: **+81-(0)3-3581-9909**

<Available for 24 hours>

Fax: +81-(0)3-5251-2136

SESC website: <https://www.fsa.go.jp/sesc/english/watch/>

The SESC always welcomes information regarding suspicious market misconduct and/or any problem about investor protection. We use the information effectively in various market surveillance activities. Information that could only be known to persons involved or close to the matter concerned is particularly useful as a key starting point for investigations and inspections of various types.

If you have such information, please submit it via our website, phone, fax or post.

* Please note that the SESC cannot respond to questions or provide advice.

* The SESC takes all possible security protection against the leak of the contents of the provided information including your personally identifiable information to the outside. (You can submit the information anonymously.)

Insider trading

Market manipulation

Spreading of rumors

False statements in annual securities reports

Investment scams

Suspicious transactions

Inappropriate inducement to financial instruments



Securities and Exchange Surveillance Commission

3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8922

(Nearest exits of subways)

- Ginza Line: Toranomon Station Exit 6 or 11
- Chiyoda, Hibiya or Marunouchi Line: Kasumigaseki Station Exit A13
- Chiyoda or Marunouchi Line: Kokkai-gijidomae Station Exit 4



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