

Outline of 2013 Amendment Act of Financial Instruments and Exchange Act, etc.

Promulgated on
June 19, 2013

Challenges raising from the recent global financial crisis



Measures against insider trading and market fraud
Measures against a financial crisis originated from market disruption
Measures to strengthen the functions of the financial/capital markets and the financial industry in Japan

Measures Relating to the Recent Insider Trading Cases, etc.

Strengthening the insider trading regulation

- ◆ A new regulation against the disclosure of inside information and trading recommendations
- ◆ Raising the monetary penalty for violations committed by asset managers on their client accounts

Updating the insider trading regulation to reflect current financial and corporate practices

- ◆ Introducing an exemption for trading in cases where a considerable period of time has passed since the recipient of information last received the information concerning a tender offer

etc.

Revisions to Asset Management Regulations Building on the Experience of the AIJ Case

Strengthening criminal penalties for fraudulent reporting, etc.

- ◆ Increasing the criminal penalties for false reporting and fraudulent solicitation by Discretionary Investment Management Business Operators

Others

- ◆ Stricter eligibility requirements for pension funds to be qualified as professional investors

etc.

Establishment of Orderly Resolution Regime for Financial Institutions

To prevent financial crisis that may spread across financial markets, such as the failure of Lehman Brothers, and seriously impact the real economy, an orderly resolution regime for financial institutions based on the agreement by the G20 Summit countries will be established

Scope

- ◆ Financial institutions including deposit-taking financial institutions, insurance companies, financial instruments business operators, financial holding companies

Procedures

- ◆ Financial Crisis Response Council (consisting of the Prime Minister (chair), Chief Cabinet Secretary, Minister of Finance, Minister in charge of Financial Affairs, Governor of the BOJ, Commissioner of the FSA)

Measures

- ◆ Provision of liquidity, etc. under the oversight of Deposit Insurance Corporation, to ensure the performance of obligations for critical market transactions, where it is considered necessary to prevent severe market disruption (financial assistance or capital enhancement as necessary)
- ◆ Necessary measures for an orderly resolution (e.g., through the restriction of early terminations)

Funding

- ◆ Ex post bearing by the financial industry (government financial support in exceptional cases)

etc.

Enhancement of Provision of Capital by Banks, etc.

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- ◆ Relaxation of the restriction on the holding of voting rights by banks, etc. only in cases where contributions to the corporate restructuring or revitalization of region are expected

Others

- ◆ Regulatory reviews regarding banks, etc. (large exposure rules, regulations governing foreign bank branches, etc.) etc.

Enhancement of Robustness of J-REIT Structures, etc.

Provide J-REIT with more choices for financing and capital policy

- ◆ Newly allow J-REIT to repurchase its equity and to finance through rights offering, etc.

Others

- ◆ Measures to facilitate the acquisition of overseas real estate by J-REIT
- ◆ Newly apply insider trading regulations to J-REIT
- ◆ Provide investors with investment performance data in a simplified format

etc.