



The new Board members of the SESC have been appointed in July 2007. The SESC, under the new Board, has issued a policy statement to pursue its missions in the coming years.

Towards Enhanced Market Integrity - Policy Statement of New SESC – (Tokyo, September 5, 2007)

1. Missions

The SESC is committed to achieving two objectives:

- To ensure integrity of capital market
- To protect investors

2. New Board Members

Three members of the Board were newly appointed on July 20, 2007.

- Chairman Mr. Kenichi Sado
- Commissioner Mr. Shinya Fukuda
- Commissioner Mr. Shozo Kumano

3. Directions of new SESC

Japanese capital market has been experiencing dynamic changes. New and more complex financial products and transactions continue to develop under fast moving capital flows across countries. The regulatory environment has also evolved to address such changes in the markets, including the introduction of the Financial Instrument and Exchange Law (FIEL) in September 2007.

Noting the rapidly changing market environment, the SESC is determined to make its best efforts as a market regulator, setting out the following directions.

(1) Timely and comprehensive oversight with more strategic focus

- Prompt and effective market oversight by strategically adopting the best-mix of regulatory tools endowed to the SESC, including daily market surveillance, inspection of regulated entities, administrative monetary penalty investigation, disclosure document inspection and criminal investigation
- Proactive oversight for potential risks on top of current market misconducts
- Enhanced cooperation with Self Regulatory Organizations (SROs) and overseas regulators in order to achieve effective market oversight across market places

(2) Collaboration with stakeholders for market integrity

- Contribution to rule-making processes by the FSA and other relevant authorities, reflecting challenges identified through market oversight by the SESC
- Enhancement of self-regulatory functions of SROs
- Outreach to market participants to encourage their self-discipline for market integrity
- Closer dialogue and communication with market participants

We believe that effective market oversight by the SESC and consequent high level of market integrity are essential for the Japanese capital markets to be further active and competitive in global market places.

4. Policy Focus

The SESC is determined to strategically mobilize its regulatory tools and resources with particular emphases on the followings in order to conduct effective and efficient market oversight.

(1) Comprehensive and timely market oversight

- Seamless oversight on both primary and secondary markets
- Extensive surveillance on suspicious transactions
- Analysis on backgrounds behind individual cases and market developments to help timely market oversight

(2) Enhanced use of administrative monetary penalty system

- Further exploitation of administrative monetary penalty system to expeditiously address market misconducts

(3) Implementation of FIEL

- Expansion of the scope of inspection to cover collective investment schemes and quarterly corporate disclosure
- Increased focus on internal-control and governance of regulated entities

(4) Enhanced cooperation with SROs

- Further cooperation with SROs in areas including oversight of member firms, rule-making, as well as outreach to market participants

(5) Enhanced cooperation with overseas regulators

- Further cooperation with overseas regulators, including proactive information exchange as well as surveillance of electronic trading, thus precluding any loopholes in market oversight

- Message to Market Participants -

The SESC alone cannot secure integrity of the market; individual market participants' effort is crucial. Let us work together to enhance integrity of the capital market for everyone to participate with comfort.