

Date of recommendation	Violations subject to recommendation	Administrative disciplinary action
<p>February 25, 2003 (inspection)</p>	<p>○Act of making a series of transactions for the sale or purchase of securities to create an artificial market that does not reflect the actual state of the market</p> <p>In connection with corporate bonds redeemable with shares of a listed company other than the bond issuer, or exchangeable bonds (hereinafter referred to as "EB"), a trader of the Japan Single Stock Desk, Asia-Pacific Equity Derivatives Trading (presently called Single Stock Derivatives, Japan Equities Trading) of J.P. Morgan Securities Asia Pte. Ltd. caused the price of the reference shares to fall to ¥795 from the immediately prior contract price of ¥800. By placing a series of limit sell orders for a large quantity of the reference shares at ¥796 and ¥795 between 14:58 and the end of the day's trading on January 16, 2001, the day for determining whether the EB would be redeemed in cash or by delivery of the reference shares, depending upon the day's closing price for the reference shares, the trader created a situation in which the closing price of the reference shares would not equal or exceed ¥797 unless all such sell orders were absorbed. This was done with the intention of putting the closing price at a level (lower than ¥797) that would result in the EBs being redeemed with delivery of shares, in order to enable an affiliate of J.P. Morgan Securities Asia Pte. Ltd. to avoid risks that would arise from its status as a holder of the reference shares that had been held in preparation for the redemption.</p> <p>As a result, the price of the reference shares in fact closed at ¥795, and the EB redemption by share delivery was decided.</p>	<p>Administrative disciplinary measures taken against the company</p> <p>Business suspension order</p> <ul style="list-style-type: none"> • The Tokyo branch was ordered to suspend selling and buying of shares on its own account for 10 days <p>Business improvement order</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <ul style="list-style-type: none"> • Improving and strengthening in-house supervision of business operations, ensuring that employees, including those in managerial positions, observe laws and rules, and devising specific plans to prevent violation recurrence. • Reporting of where the responsibility lay • Reporting of specific preventive measures being taken to the SESC, in writing </div> <p>Disciplinary measures taken against employees involved, including those in managerial positions (registered securities traders included)</p> <p>They were barred from business for eight weeks</p>

- Data on recommendation issued to J.P. Morgan Securities Asia Pte. Ltd.

1. Mechanism of the EB in this case

