

States, the Financial Services Authority (FSA) of the United Kingdom, the Monetary Authority of Singapore (MAS), the Securities and Futures Commission (SFC) of Hong Kong, the Commission des Opérations de Bourse (COB) of France and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) of Germany over regulations of securities companies engaged in cross-border trading and their compliance with such regulations. Taking advantage of bilateral cooperation accords with overseas securities regulators of these countries, the SESC has been making efforts to gather information on cases where illegal securities transactions are suspected.

(2) Conclusion of information-exchange agreements (bilateral MOU)

With the number of cross-border securities transactions increasing, deals made overseas may undermine the fairness of trading in Japanese markets. Under this circumstance, it is important to expedite information sharing with overseas securities authorities, and the FSA has concluded information-exchange agreements with the China Securities Regulatory Commission (CSRC), the MAS, the SEC, and the Commodity Futures Trading Commission (CFTC) of the United States. In addition, the FSA is in negotiations with other overseas securities regulators to conclude similar information-sharing accords.

(3) Training program for officials of overseas securities regulators

Every year, the SESC holds the Tokyo enforcement seminar for securities regulators of Asian emerging economies. At the seminar experienced officials from the SESC, SROs, and one of largest securities firms in Japan, and experts invited from securities regulators in the Asia-Pacific region give lectures on such issues as investigation, inspection and market surveillance for Asian trainees. The purpose of the seminar is also to assist emerging Asian economies is fostering human resources and consequently in developing their securities markets and regulatory regime.

In the 2003 SESC year, the 3rd Tokyo enforcement seminar was held for five days from December 1, with 29 trainees from 15 countries.

8. Operations of Self-Regulatory Organizations to Ensure Fair Trading

1) Roles of self-regulatory organizations

Self-regulatory organizations (The Japan Securities Dealers Association, stock exchanges, Financial Futures Association of Japan and the Tokyo International Financial Futures Exchange) are supposed to do their utmost in order to increase investor confidence in markets and member brokerage entities by establishing norms of conduct and having member brokerages observe such norms. Such efforts on the part of SROs are likely to increase the interest of brokerages in the long run. With the rapid advancement of financial system reforms, legally backed roles of SROs have become increasingly important, and the public has placed high expectations on SROs strengthening their operations. The SESC has been in close contact with SROs and has exchanged information with them.

2) Activities of self-regulatory organizations

In fiscal 2003, from April 2003 to March 2004, the Japan Securities Dealers Association inspected operations at 104 of its regular members (90 Japanese securities companies and 14 foreign securities companies) and 72 special members (48 banks, 13 shinkin banks, 10 insurance companies and 1 short-term money house).

In the year under review, the Tokyo Stock Exchange inspected 46 members, and the Osaka Securities Exchange, 16 members.

The Financial Futures Association of Japan and the Tokyo International Financial Futures Exchange also conducted inspections of their members in the year.