

Date of Recommendation (Category)	Violations Subject to Recommendation	Administrative Disciplinary Measures
<p>June 22, 2004 (Inspection) (Kinki)</p>	<p>○ Act of failing to verify the identity of customers in securities trading and brokerage services and significantly inappropriate conduct by registered securities traders employed by the securities company (Recommendation in which disciplinary measures were sought against a securities company and executives and other employees of the company)</p> <p>The (then) executive manager of the Tokyo branch of Angel Securities Co. received a request from a customer for the securities company to open accounts for several corporate clients without verifying the identity of the customer and the corporate clients. The branch manager then instructed his subordinates to open the accounts in line with the request. The subordinates opened the accounts, accepted stock trading orders from the customer, and executed the orders on April 10, 2003 and later.</p> <p>(Notes) The recommendation called for disciplinary measures against the branch manager as well because his conduct amounted to a “significantly inappropriate conduct” by registered securities traders prescribed under Article 64-5, Paragraph 1, item 2 of the SEL.</p>	<p>Administrative disciplinary measures taken against the company</p> <p>Business improvement order</p> <ul style="list-style-type: none"> <li>• Establishing a system to manage customers, including verifying their identity; ensuring that measures envisaged under the system will be implemented fully; renewing the determination of executives and other employees of the company to observe laws and rules; checking the identity of customers; reporting the results of such checks; and clarifying where the responsibility lies</li> <li>• Reporting the implementation of measures shown above in writing</li> </ul> <p>Administrative disciplinary measures taken against executives and other employees (registered securities traders) of the company Yet to be decided</p>

- **Data on the recommendation issued to Angel Securities Co.**

Violations of the Personal Identity Verification Law were found in the following cases.

**<Case I>**

The (then) executive manager of the Tokyo branch of Angel Securities Co. was contacted by a person called “A,” who ran an investment advisory firm, in connection with the opening of accounts at the branch manager’s securities company under the names of corporate entities having nonresidential status. The Person A requested that the branch manager keep the Person A’s name a secret when the accounts were established because the Person A could be deemed as engaging in an investment advisory business in a discretionary manner for corporate entities without having the necessary business license to conduct such consulting, and profits from the investment could be deemed as income subject to taxation. As a result, the branch manager suspected that the Person A was trying to engage in illegal activities but accepted the request, instructing his subordinates to accept trading orders from the Person A and execute them.

- \* Article 3, Paragraph 2 of the Personal Identity Verification Law, enforced on January 6, 2003, stipulates that when a business corporation engages in financial trading, the financial institution that executes trading orders on behalf of the business corporation is required to verify the identity of not only the business corporation but also the person who places the trading order to the financial institution for the business corporation. Therefore, the act committed by the branch manager as shown above constituted a violation of the Personal Identity Verification Law.

**<Case II>**

The branch manager was contacted by a person called “B” in connection with a plan to establish accounts at the branch manager’s securities company under the names of three corporate entities having nonresidential status in order to buy a large number of shares of a particular listed company (slightly less than 15% of the company’s outstanding shares). The Person B requested that the branch manager keep the Person B’s name a secret when opening the accounts. Following this request, the branch manager suspected that the Person B was trying to dodge the application of an SEL rule obliging a trader to report deals resulting in a large ownership of a particular stock to financial authorities by purchasing shares under the names of the three different corporate entities. Nevertheless, the branch manager accepted the request and instructed his subordinates to accept trading orders from the Person B and execute them without seeking the presentation of necessary identity verification documents from the Person B.

- \* Article 27, Paragraph 23, item 3 of the SEL stipulates that a person who owns at least 5% of outstanding shares of a particular stock either under his or her own name or under the name of a different party is required to report the ownership to financial authorities. The conduct of the branch manager may have violated this article.