

placing massive buy orders at lower levels. By employing these means, the suspect ordered the purchase of approximately 50,000 shares, making the stock price to surge.

b) With the aim of misleading others to believe that the stock was being traded actively, the suspect bought a total of approximately 100,000 shares of the stock in his own name and sold the same volume of shares at about the same time in separate transactions over the same period of time. These sales and purchases were sham transactions that were not intended for the actual transfer of ownership.

2. Administrative Civil Money Penalty Investigations

1) Purpose of and Authority for Investigations

The administrative civil money penalty system was introduced on April 1, 2005 to achieve administrative goals of curbing such acts of violations as insider trading and ensuring the effectiveness of regulations. It is an administrative measure that imposes monetary burdens on violators of certain provisions of the Securities and Exchange Law.

The Surveillance Commission is granted authority under the Securities and Exchange Law by the Prime Minister and the Commissioner of the Financial Services Agency to conduct investigations of suspects and other involved persons for the purpose of penalty investigation.

The authority for conducting penalty investigations (which do not extend to submissions of financial statement reports containing false statement) is set forth in Article 177 of the Securities and Exchange Law, which grants the Commission the power to

- (1) Question suspects or persons of interest, or demand opinions or reports from such individuals, and
- (2) Enter business offices of suspects and other sites that are necessary for investigation, and inspect accounting documents and other items.

The authority to conduct penalty investigations pertaining to submission of registration statements etc. containing false statement is set forth in Article 26 of the Securities and Exchange Law, which grants the Commission the power to take the following actions when deemed necessary and appropriate for the sake of public interest or investor protection:

- (1) To order a person who filed a registration statement, a person who filed a shelf registration document, a person who filed a financial statement report, a person who filed a report of treasury share purchase, an underwriter of securities or any other involved party to submit reports or data that are helpful for investigations, and
- (2) To inspect accounting records and other items of the individuals being investigated.

2) Acts Subject to Penalties

Specific acts that are subject to levying of penalties are as follows:

- (1) Submission of a registration statement etc. containing false statement (disclosures relating to subscriptions and sales) (Article 172 of the SEL)
- (2) Dissemination of rumors and use of fraudulent means (Article 173 of the SEL)
- (3) Price manipulation (Article 174 of the SEL)
- (4) Insider trading (Article 175 of the SEL)

Note: Submission of a financial statement report containing false information, etc. on or after December 1, 2005 will be subject to orders for payment of penalties.