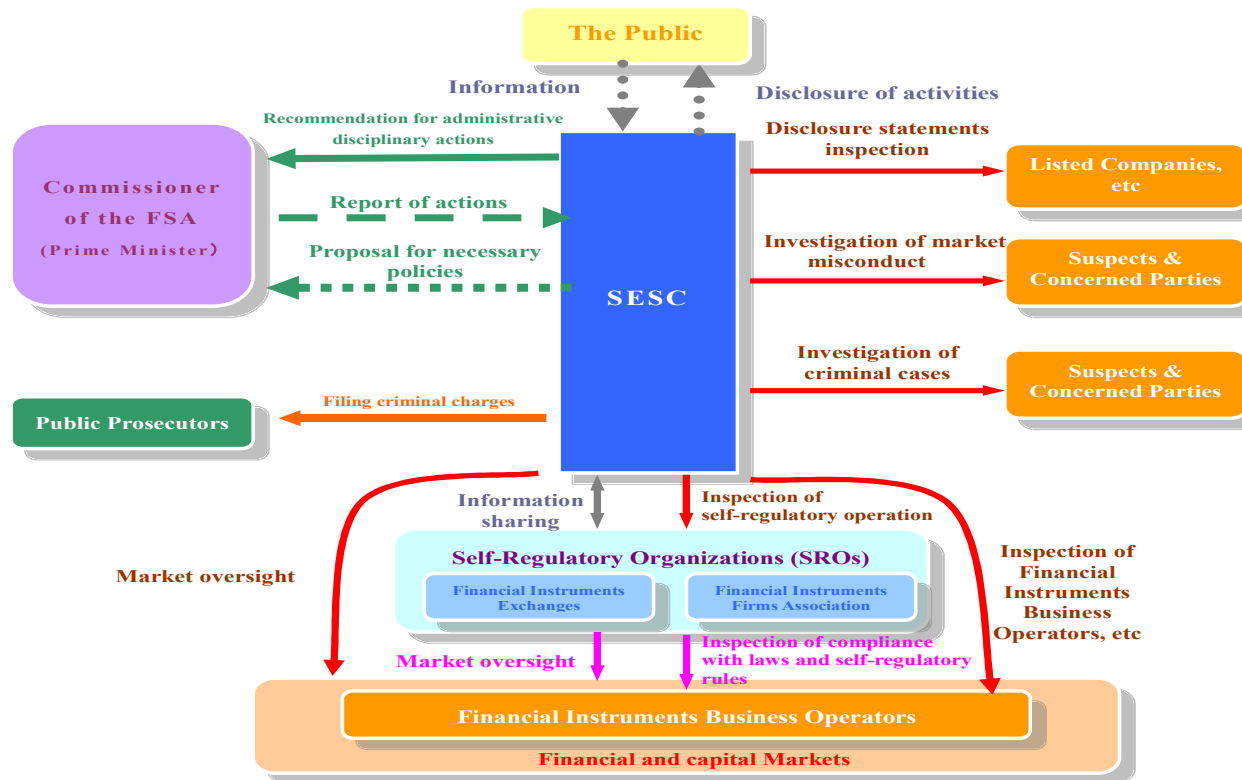


## II. Outline

The SESC conducts daily market surveillance, inspections of financial instruments firms, investigation of market misconduct, disclosure statements inspections and criminal investigations of securities fraud. In cases where misconduct that impairs the fairness of trading are found as a result of these activities, it may recommend administrative disciplinary actions or file criminal charges to the public prosecutors. (Refer to the following pages for details. See the SESC's activities in figures [table of summary] on Page 13 for the number of recommendations, filing criminal charges etc. that have been filed.)



## III. Relationship with Self-Regulatory Organizations

Self-Regulatory Organizations (SROs), such as financial instruments business operators associations and financial instruments exchanges, also conduct inspections of financial instruments business operators and daily surveillance of financial transactions.

The increasing social demand for fairness and transparency of the markets requires the SESC and SROs to have mutual collaborative efforts. These efforts include close information exchange concerning various issues and problems in market oversight, such as monitoring insider trading and other illegal trading, and listing control. The SESC also periodically exchanges opinions with SROs, and SRO staff participate in training held by the SESC.

On the other hand, the SESC conducts inspections of the SROs to check if they are properly carrying out their duties, such as inspections, and are properly imposing sanctions on their member companies or registered securities traders that violate self-regulations.

Also, in January 2009, the “Compliance WAN” began its operation in order to electronically transfer the transaction data used for the market oversight. The “Compliance WAN” is a system that uses a network connecting nationwide securities companies, securities exchanges, the Japan Securities Dealers Association (JSDA), the SESC and the Local Finance Bureaus.