Securities and Exchange Surveillance Commission’s Initiatives
- Building on a Quarter-Century of Achievement -
# Securities and Exchange Surveillance Commission’s Initiatives

- Building on a Quarter-Century of Achievement -

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A Message from the Chairman

It has been 26 years since the Securities and Exchange Surveillance Commission ("SESC") was established in 1992. In the meantime, we have worked to ensure fairness and transparency of securities and financial markets and to protect investors by exposing various violations of laws and regulations. Compared with the conditions when the SESC was set up, we believe that market participants have developed self-discipline, and markets have become fairer and more transparent, which people can be proud of to a certain extent. We appreciate the significant cooperation and support received from many relevant organizations and parties for this achievement.

However, we are faced with diverse new challenges. In line with the remarkable IT development and a rapid progress of globalization, securities trading and financial instruments have been becoming more complex and advanced, and in parallel, the modus operandi of market misconduct, such as insider trading and market manipulation, has been becoming more sophisticated and diversified. Although listed companies have been raising their awareness of proper disclosure of the companies’ information, there is no end to violation of disclosure requirements and types and causes of the violation are diverse. Monitoring of financial instruments business operators finds that many operators have been developing their self-discipline but there is a not small number of operators who lack the sense of compliance.

To address these problems, the SESC works to strengthen cooperation with relevant organizations and parties in exposing more diverse, complex, and sophisticated violations of laws and regulations, while ensuring accurate understanding of the latest state of the markets, and accordingly enhancing our capabilities of collecting and analyzing information. In addition, in the area of monitoring financial instruments business operators, the SESC endeavors to improve the effectiveness and efficiency of monitoring by conducting integrated and seamless on-site/off-site monitoring based on risk assessment of the operators in light of their business models.

Moreover, the SESC is committed to exploring root causes of violations of laws and regulations, and providing information based on the findings in order to prevent similar violations from occurring or recurring. In a bid to promote further self-discipline of market participants, we continue our constructive dialogue with relevant organizations and parties, through which we can share the importance of enhancing fairness and transparency of the markets.

For the continued growth of the Japanese economy, the SESC will work in close partnership with relevant authorities and self-regulatory organizations to conduct more effective and efficient oversight of the markets in order to ensure the development of fair, transparent, and trustworthy markets, as well as the protection of investors. We seek to demonstrate that we deserve the trust that you place on us. We thank you for your understanding and support.

Mitsuhiro HASEGAWA
Chairman
Securities and Exchange Surveillance Commission
March 2019
Chairman and Commissioners

**Chairman**
Mitsuhiro HASEGAWA

Mitsuhiro Hasegawa was appointed as SESC chairman in December 2016. Previously, he served as the Chief Public Prosecutor of Nagoya District Public Prosecutors Office and the Superintending Public Prosecutor of Hiroshima High Public Prosecutors Office.

**Commissioner**
Yasushi HAMADA

Yasushi Hamada was appointed as SESC commissioner in December 2016. Previously, he served as the Senior Partner and Director of KPMG AZSA LLC, and the professor of Graduate School of Professional Accountancy, Aoyama Gakuin University.

**Commissioner**
Mami INDO

Mami Indo was appointed as SESC commissioner in December 2016. Before joining SESC, she was the Senior Executive Director of Daiwa Institute of Research, Ltd.
I Organization and Objectives

The SESC was established within the Financial Services Agency (FSA) in accordance with the Act for Establishment of the Cabinet Office and the Act for Establishment of the Financial Services Agency (Established in 1992).

The SESC functions as a council, consisting of a Chairman and two Commissioners. Each member is appointed by the Prime Minister and functions as an independent agent. (Term of office: 3 years)

The SESC aims to ensure the fairness and transparency of markets and to protect investors.

- Investigations of market misconduct including insider trading and market manipulation
- Inspections of violations in disclosure requirements by listed companies
- Monitoring of inappropriate practices by financial Instruments business operators
- Recommendations of administrative actions or administrative monetary penalty payment orders, or filing criminal charges based on the results of the above investigations, inspections or monitoring
## Organization and Staff Number

- The Executive Bureau is composed of the following six divisions: Planning and Management Division, Market Surveillance Division, Securities Business Monitoring Division, Market Misconduct Investigation Division, Disclosure Inspection Division, and Criminal Investigation Division.
- In addition to the Executive Bureau in Tokyo, the SESC has staff members at the Local Finance Bureaus, which perform mainly inspections of financial services providers located in respective areas. There are 740 staff members in total (402 of which work for the Executive Bureau) as of March 31, 2019, the end of the fiscal year 2018.
III  A Quarter-Century of History

Since its establishment in 1992, the SESC has extended its functions as a market surveillance organization including administrative investigations, in addition to investigation of criminal cases.

1991  Recognition of the need to move securities regulation to ex-post monitoring based on more transparent market rules, and to separate market surveillance from supervision of securities firms and other intermediaries

July 1992  **SESC established within the Ministry of Finance**, consisting of two divisions: the Inspection Division and the Criminal Investigation Division

June 1998  SESC moved to the Financial Supervisory Agency

Jan. 2001  **SESC moved to the FSA** in reorganization of Japanese central government ministries

Apr. and July 2005  **Introduction of administrative monetary penalty system** Delegation of authority to inspect disclosure statements and to conduct investigations to impose administrative monetary penalties to the SESC

July 2011  SESC reorganized to its current structure of six divisions: Planning and Management, Market Surveillance, Securities Business Monitoring, Market Misconduct Investigation, Disclosure Inspection, and Criminal Investigation

Aug. 2011  Cross-Border Investigation Office was established within the Market Misconduct Investigation Division to respond to market misconduct involving cross-border and other transactions
The administrative monetary penalty system was introduced as an administrative measure to impose a financial penalty on persons who violate certain provisions of the FIEA.

This measure is intended to achieve the administrative objective of preventing misconduct and ensuring effectiveness of the regulation.

Subjects of the administrative monetary penalty include: false statements in securities registration statements and annual securities reports, spreading of rumors, use of fraudulent means, market manipulation, and insider trading.

If the SESC finds a violation as a result of an investigation of market misconduct or inspection of disclosure statements, the SESC will make a recommendation* to the Prime Minister and the Commissioner of the FSA to issue an order to pay an administrative monetary penalty.

*After receiving a recommendation from the SESC, the FSA commences an administrative trial procedure by trial examiners. Upon receiving a decision by the trial examiners, the Commissioner of the FSA decides whether to order payment of an administrative monetary penalty.

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**<Casebook publication>**

The SESC publishes every year Casebooks that summarize examples of the SESC’s recommendations for administrative monetary penalty payment orders and others in the past.

* See P.22 “SESC Website and Other Information” for details of published materials, including their URL.
### IV Market Surveillance

At the beginning of surveillance, the SESC gathers and analyzes a variety of information, and looks for signs of market misconduct.

**Market Monitoring:**
Gathering and analyzing a wide variety of information on markets

- Conduct forward-looking macro-economic analysis of economic conditions and trends
- Understand trends in both primary and secondary markets, and among individual companies (including new financial instruments and transactions)
- Receive tips from investors (6,000 to 7,000 tips per year)
- Review articles on Internet websites, in media, and in magazines
- Retain close relationships for sharing information with the listed company compliance divisions of Self-Regulatory Organizations

*Office of Market Monitoring was established within the Market Surveillance Division in June 2016 to enhance its market monitoring function.*

**Examination of Transaction:**
Early detection of signs of market misconduct in securities trading

- Collect and analyze suspicious transaction data that may be related to market misconduct such as insider trading, market manipulation and use of fraudulent means (about 1,000 cases per year)
- Send highly suspicious cases to the investigation/inspection divisions
- Retain close relationships for sharing information with the surveillance divisions of Self-Regulatory Organizations

**Investigation or inspection divisions**

**Information sharing**

**Sending cases**
### Number of Cases Examined

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>1,084</td>
<td>1,097</td>
<td>1,142</td>
<td>1,099</td>
<td>798</td>
</tr>
<tr>
<td></td>
<td>Market Manipulation</td>
<td>94</td>
<td>95</td>
<td>98</td>
<td>83</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Insider Trading</td>
<td>978</td>
<td>992</td>
<td>1,031</td>
<td>1,002</td>
<td>746</td>
</tr>
<tr>
<td></td>
<td>Others (e.g., Use of Fraudulent Means)</td>
<td>12</td>
<td>10</td>
<td>13</td>
<td>14</td>
<td>4</td>
</tr>
</tbody>
</table>

### Number of Tips Received

#### Tips Received

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>5,688</td>
<td>7,758</td>
<td>7,600</td>
<td>6,147</td>
<td>5,695</td>
</tr>
</tbody>
</table>

#### Breakdown by Topics

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual Stock</td>
<td>3,904</td>
<td>5,448</td>
<td>5,661</td>
<td>4,496</td>
<td>4,565</td>
</tr>
<tr>
<td></td>
<td>Issuer</td>
<td>410</td>
<td>441</td>
<td>354</td>
<td>236</td>
<td>153</td>
</tr>
<tr>
<td></td>
<td>Conduct of Financial Instruments Business Operators</td>
<td>652</td>
<td>1,032</td>
<td>798</td>
<td>599</td>
<td>411</td>
</tr>
<tr>
<td></td>
<td>Others (e.g., Opinion, Inquiry)</td>
<td>722</td>
<td>837</td>
<td>787</td>
<td>816</td>
<td>566</td>
</tr>
</tbody>
</table>

* The figures of fiscal 2018 are for the period from April 1, 2018 to December 31, 2018.
The SESC monitors financial instruments business operators, to promote investors’ confidence in the market.

**Effective/Efficient Off-site Monitoring**

- Improve the effectiveness and efficiency of monitoring by conducting integrated and seamless on-site/off-site monitoring of approximately 7,000 regulated institutions
- Conduct off-site risk assessment of the regulated firms’ business models and the appropriateness of its risk management in light of its business model
- Utilize risk-based approaches to decide which securities businesses to be subject to on-site monitoring with due consideration of various factors, including the results of off-site monitoring

**On-site Monitoring**

- Review the appropriateness of business operations after in-depth analysis of their products and transaction strategies
- Address identified problems not only through just identifying violations of laws and regulations but also through conducting additional analysis to identify their root-causes through a review of management policies and strategy, governance, and personnel and remuneration policies
- Recommend administrative actions to the Prime Minister and the Commissioner of the FSA in response to serious violations
In cooperation with investigative authorities, the SESC conducts investigations to prevent injury to investors from frauds caused by unregistered firms.

The SESC can file petitions for court injunction against firms found to be violating the law to prohibit or suspend the violation.

As necessary, the SESC may publicly disclose the name and other information of unregistered firms.
(Ref.) Number of Operators Subject to Monitoring

Increase to about 7 times

When SESC was established

- Domestic Securities Brokerages: 216 (Dec. 1992)
- Foreign Securities Brokerages: 49 (June 1992)
- Financial Futures Business Operators: 216 (May 1993)
- Financial Institutions Licensed to Offer Securities Businesses (OTC): 619 (July 1993)

Cumulative Total of Approx. 1,100 Firms

Cumulative Total of Approx. 7,000 Firms

Dec. 2018

- Type I Financial Instruments Business Operators: 295
- Registered Financial Institutions: 1,035
- Investment Management Firms: 374
- Investment Corporations: 101
- Investment Advisors/Agencies: 983
- Type II Financial Instruments Business Operators: 1,193
- Financial Instruments Intermediaries: 871
- Persons Made Notification for Business Specially Permitted for Qualified Institutional Investors (QII Business Operators): 2,368
VI Investigation of Market Misconduct

The SESC conducts timely investigations of possible market misconduct including insider trading and market manipulation.

- The SESC conducts on-site inspections and/or interviews with traders and/or listed companies to determine whether market misconduct, including insider trading, market manipulation, or use of fraudulent means (e.g. fictitious increase in capital) has occurred.
- Recently, the SESC has conducted investigations of insider trading cases involving matters of social concern, such as false disclosures by listed companies.

When the SESC identifies a violation

Recommendation to issue an order to pay an administrative monetary penalty

The SESC will make a recommendation to the Prime Minister and the Commissioner of the FSA to issue an order to pay an administrative monetary penalty.

- Violators of insider trading generally fall into two categories, with the second category now accounting for more than half of investigations:
  - corporate insiders (incl. executives and employees, persons who concluded contracts, and negotiators) and
  - primary recipients of information (incl. trading partners, relatives, and friends).
- Increasing number of individual investors who engage in market manipulation do so via online trading.
Background of the Establishment of the Cross-Border Investigation Office

Feb. 2008

The FSA signed IOSCO MMoU* ⇒ Strengthened cooperation with overseas authorities

Autumn 2010

Insider trading cases linked with large amount of public offerings

Aug. 2011

The Cross-Border Investigation Office was established ⇒ Specializes in investigating trading activities to identify unfair trading practices involving cross-border trading and unfair trading by Japanese and overseas professional investors

(*) Framework of consultations, cooperation, and exchange of information among signatory securities supervisory authorities developed by the International Organization of Securities Commissions (IOSCO)
• MMoU: Multilateral Memorandum of Understanding
• As of Dec. 2018, 121 countries/regions have signed.

31 “recommendations” were issued by the Office between August 2011 and December 2018.
VII Inspection of Disclosure Statements

The SESC inspects disclosure statements of listed companies in order to ensure appropriate disclosure.

Gather and analyze information
- The SESC gathers and analyzes information from a macro-economic perspective.
- The SESC continuously monitors approximately 3,600 listed companies from a forward-looking perspective.

Inspections of disclosed statements
The SESC inspects disclosure documents submitted by listed companies (e.g. securities registration statements and annual securities reports) to uncover any violation of disclosure regulations such as giving false statements.

When the SESC identifies a violation

Recommendation to issue an administrative monetary penalty payment order
- If false statements with respect to a material issue are found in disclosed documents, the SESC will recommend the issuance of an administrative monetary penalty payment order.
- Even if such a recommendation is not made, the SESC urges the company to make voluntary improvement as necessary.

Prevention of recurrence
The SESC analyzes and identifies the root cause of misconduct to prevent recurrence and urges the company to build an appropriate disclosure structure.


**VIII Investigation of Criminal Cases**

The SESC investigates cases of serious breach of applicable laws to clarify the facts and files criminal charges.

The SESC investigates cases of serious breach of applicable laws such as insider trading, market manipulation and submission of false securities reports.

**Investigations of serious violations**

- **Voluntary investigation**: The SESC may question a suspect or witness of a criminal case and inspect articles that a suspect or witness possesses.

- **Under search warrant**: The SESC may search a company and a residence of a suspect/witness and seize relevant documents under search warrant issued by a judge.

*Certified Public Accountants and IT professionals (for digital forensics) participate in investigations.*

**Filing Criminal Charges**

The SESC files criminal charges with public prosecutors offices against suspects based on the result of investigations.
IX  Strategy & Policy of the SESC 2017-2019

- Building on a Quarter-Century of Achievement -

**Mission**

1. Ensuring market integrity/protection of investors
2. Contributing to sound development of markets
3. Contributing to sustainable economic growth

**SESC’s Vision on Market Integrity**

Compliance with rules and trust from all market participants

< Key elements >

1. Proper disclosure by listed companies and issuers
2. Appropriate conduct and practices by market intermediaries
3. Self-discipline by all market participants
4. Effective market oversight with a high degree of professionalism

**Values**

- **Fairness**
  Fair and independent oversight

- **Accountability**
  Holistic and root-cause analysis coupled with public outreach

- **Forward-looking Perspective**
  Early detection of signs of market misconduct

- **Effectiveness and Efficiency**
  Effective use of resources

- **Strong Collaboration**
  Working closely with SROs and other competent authorities, both domestic and overseas

- **Commitment to Excellence**
  Committing to achieve highest standards of oversight
### Strategic Objectives

#### 1. Intelligence Gathering
- Forward-looking analysis of potential market misconduct from macro-economic perspective
- Enhanced cooperation with foreign authorities
- Oversight of all new products/transactions

#### 2. Prompt/Effective Examination/Investigation
- Effective use of monetary penalty investigation
- Proactive response to cross-border matters
- Response to material market abuse with criminal investigation
- Effective risk-based monitoring of regulated entities

#### 3. In-depth Analysis of Investigation Results
- Root-cause analysis
- Leveraged use of outputs of oversight activities
- Enhanced public outreach
- Contribution to policy development for better market environment
- Contribution to international cooperation for market oversight

#### 4. IT and HR Development
- Development of RegTech※
- Response to FinTech development
- Enhanced expertise of SESC staff with a broader perspective

#### 5. Cooperation with SROs and other stakeholders
- Closer cooperation with SROs for effective/efficient market oversight
- Enhanced cooperation with various stakeholders for market integrity

### Continuous Review of Market Oversight Approach

- **Holistic market oversight**
  - All new products/transactions
  - All financial markets
  - Bigger picture in addition to details

- **Timely market oversight**
  - Early detection of potential market misconduct
  - Preemptive actions against market abuse
  - Effective investigation and early corrective action

- **In-depth market oversight**
  - Root-cause analysis
  - Horizontal analysis for system-wide issues

※RegTech means the use of IT innovation in connection with regulatory and enforcement authority.
### X Examples of Major Cases

#### Recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Date</th>
<th>Type of Order</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation based on on-site monitoring on MRI International Inc.</strong></td>
<td>April 26, 2013</td>
<td>Rescission of registration, business improvement order</td>
</tr>
<tr>
<td>The company induced customers to buy shares of a fund that would invest in U.S. medical account receivables, but the fund’s property was not managed separately from the company’s individual property and was allocated for paying dividends to other customers without using the money invested by customers for the fund’s business. The company also induced a number of customers to buy the shares of the fund by promoting them with false information, such as representing that these investments were allocated only to the fund’s business or that dividends were paid from investment profits.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation based on on-site monitoring on AIJ Investment Advisors Co., Ltd.</strong></td>
<td>March 23, 2012</td>
<td>Rescission of registration, business improvement order</td>
</tr>
<tr>
<td>The company solicited many customers such as pension funds to execute discretionary investment contracts by using methods such as delivering false good performance of net assets of foreign investment funds invested based on discretionary investment contracts. [Criminal charges were also made] The company also delivered false investment reports to customers. [Recommendation only]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation for order to pay administrative monetary penalty for insider trading committed by a recipient of information from an employee of a subsidiary of Toyo Tire Corporation</strong></td>
<td>August 23, 2016</td>
<td>(Monetary penalty: 1.67M JPY)</td>
</tr>
<tr>
<td>The person subject to an administrative monetary penalty was a director of a company that had business with a subsidiary of Toyo Tire Corporation. As part of his duties, the said person received information regarding data falsification of seismic isolation rubber on Toyo Tire Corporation from another director of the same company, who had obtained the information from an employee of the subsidiary of Toyo Tire Corporation as part of his duties. With this knowledge, before the information was publicly disclosed, the said person sold the Toyo Tire Corporation shares he owned to avoid incurring a loss.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation for order to pay administrative monetary penalty against an individual investor residing abroad for market manipulation regarding shares of cocokara fine Inc.</strong></td>
<td>June 26, 2018</td>
<td>(Monetary penalty: 4.93M JPY)</td>
</tr>
<tr>
<td>An individual investor residing in China, regarding shares of cocokara fine Inc., with the purpose of inducing trades of other investors, without intention to execute, conducted a series of transactions by placing a numbers of buy/sell orders at prices equal to or below/above the best bid/offer price. These series of orders would mislead other investors into believing as if the shares were being actively traded and would cause fluctuations in prices of the shares.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation for order to pay administrative monetary penalty against Mitsubishi UFJ Morgan Stanley Securities Co. Ltd. for market manipulation regarding 10-year Japanese Government Bond (JGB) Futures.</strong></td>
<td>June 29, 2018</td>
<td>(Monetary penalty: 218.37M JPY)</td>
</tr>
<tr>
<td>A person working in the dealing section of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. regarding 10-year JGB Futures, with the purpose of inducing trades of derivatives of other investors, without intention to execute, conducted a series of transactions by placing a large amount of buy/sell orders at the best bid/offer price and below/above. These series of orders would mislead other investors into believing as if the market transactions of derivatives were being actively traded and would cause fluctuations in the market of 10-year JGB Futures.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendation for order to pay administrative monetary penalties for submission of annual securities reports and offering disclosure documents containing false statements by Toshiba Corporation</strong></td>
<td>December 7, 2015</td>
<td>(Monetary penalty: 7,373.5M JPY)</td>
</tr>
<tr>
<td>Toshiba Corporation understated the provision for loss on construction projects in the percentage of completion method and overstated sales, as well as understated the cost of goods sold and expenses of the visual, computer, and semiconductor businesses.</td>
<td></td>
<td></td>
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</table>
### Filing criminal charges of Insider trading of DALTON CORPORATION shares

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 18, 2018</td>
<td>Osaka District Public Prosecutors Office</td>
</tr>
</tbody>
</table>

Suspect A, an employee of SMBC Nikko Securities Inc., came to know the fact that ITOKI CORPORATION had decided to launch a takeover bid of its subsidiary, DALTON CORPORATION, and passed the fact to suspect B for the purpose of making B’s benefit from the purchase of DALTON CORPORATION shares. B purchased DALTON CORPORATION shares valued at approximately 53 million yen before the information was made public.

### Filing criminal charges of submitting securities reports containing false disclosure statements against Nissan Motor Co., Ltd. and suspects

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 10, 2018, etc.</td>
<td>Tokyo District Public Prosecutors Office</td>
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</tbody>
</table>

The suspected company, Nissan Motor Co., Ltd. and two of its executives, Suspect A and Suspect B, were charged with submitting securities reports containing false disclosure statements. A and B colluded in submitting securities reports that contained false information on the amount of remuneration entitled to A for his services as an officer.

### Filing criminal charges of committing market manipulation of the shares of Stream Co., Ltd.

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 21, 2017, etc.</td>
<td>Tokyo District Public Prosecutors Office</td>
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</tbody>
</table>

Seven suspects in conspiracy with others committed market manipulation by executing a series of purchase orders of Stream shares at prices above the best offer price to raise the price and placing several purchase orders at the prices below the best offer to support the price for the purpose of raising the price of the shares. They also conducted fake sales and wash sales.

### Filing criminal charges of conducting fraudulent means concerning the medical account receivables securitized bonds (Receipt Bonds) against Arts Securities Co., Ltd and suspects

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 6, 2017, etc.</td>
<td>Chiba District Public Prosecutors Office</td>
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</table>

Suspect A, the representative director of the suspected company, OPTI FACTOR Co., Ltd which managed the issuing company of medical accounts receivables securitized bonds (Receipt Bonds), Suspect B, the representative director of the suspected company, Arts Securities Co., Ltd which distributed Receipt Bonds and Suspect C, a director of Arts Securities, colluded in making employees of the OPTI FACTOR provide false investment reports to other securities firms and also making employees of other securities firms solicit their customers to purchase Receipt Bonds by using proposals which stated that Receipt Bonds was highly secured. [Recommendation was also made].

### Information provision to investors in loan-type funds

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 7, 2018</td>
<td>Policy proposal to the Commissioner of the FSA, etc.</td>
</tr>
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</table>

The inspections of businesses that sell equity interests of collective investment schemes investing in business loans (loan-type funds) found a large number of violations of the Financial Instruments and Exchange Act and serious offences that had resulted in damage to investors. These included misrepresenting the purpose of the funds and providing misleading statements on borrowers and collateral, etc. To more rigorously protect investors in loan-type funds, the SESC made a proposal to take appropriate measures such as improving information and explanation provision to help investors make better investment decisions.
## SESC Activities in Figures

<table>
<thead>
<tr>
<th>Category</th>
<th>Fiscal Year</th>
<th>1992 to 2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*¹</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Recommendations</td>
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*Note1: The figures of fiscal 2018 are for the period from April 1, 2018 to December 31, 2018.

*Note2: In line with the revision of FIEA (enforced in Mar. 2016), the SESC began to make recommendations to take administrative actions against QII Business Operators as well from FY2016.
XII  SESC Website and Other Information

SESC Website
https://www.fsa.go.jp/sesc/english/

Main Contents

Casebooks of Administrative Monetary Penalties & Inspection of Disclosure Documents
【Overview】Compiled overview of cases of recommendations for administrative monetary penalty payment order and others made by the SESC to enhance transparency of market oversight administration and encourage market participants to become self-disciplined

Annual Report
【URL】https://www.fsa.go.jp/sesc/english/reports/reports.htm
【Overview】Summary of the SESC’s activities over the year (Published every year under the provision of the Act for Establishment of the FSA)

Message to the market
【Overview】Provides the SESC’s recent initiatives and message to the market to raise awareness

SESC’s 25th Anniversary Video
【URL】https://www.youtube.com/watch?v=Y2wahfg5hIM (YouTube)
【Overview】Commemorative video introducing the SESC’s initiatives in the past 25 years and policies going forward

SESC Twitter
@SESC_JAPAN

This Twitter account is not designed to receive information from the public.
If you wish to provide information to the SESC, please use the contact details on the back cover of this document.
Providing Information to the SESC

<Weekdays: 8:45 am – 5:00 pm (UTC+9)>
Direct phone: +81-(0)3-3581-9909

<Available for 24 hours>
Fax: +81-(0)3-5251-2136
SESC website: https://www.fsa.go.jp/sesc/english/watch/

The SESC always welcomes information regarding suspicious market misconduct and/or any problem about investor protection. We use the information effectively in a variety of inspections and investigations as well as daily market surveillance. Please submit the information via our website, phone, fax or post.

* Please note that the SESC does not receive individual requests for dispute resolution or investigations.
* The SESC takes all possible security protection against the leak of the contents of the provided information including your personally identifiable information to the outside. (You can submit the information anonymously.)

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Securities and Exchange Surveillance Commission
3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8922
(Nearest exits of subways)
- "Toranomon" station on the Ginza Line: Exit No. 6 & 11
- "Kasumigaseki" station on the Marunouchi, Hibiya or Chiyoda Line: Exit No. A 13
- "Kokkaigizidoumae" station on the Chiyoda and Marunouchi Line: Exit No. 4

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