

Message from the Chairman

I am very pleased to present this report, the first English-language publication to introduce the activities of the Securities and Exchange Surveillance Commission (SESC).

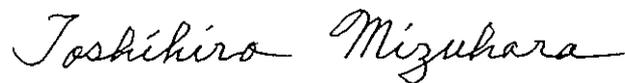
In accordance with the law, the SESC describes its activities in an annual Japanese-language report entitled *Activities of the Securities and Exchange Surveillance Commission*. This English-language report outlines the activities of the SESC, including its organization and the background of its establishment. It is based on the Japanese-language annual report for the period from July 1, 1993, to June 30, 1994 (SESC year 1993), which was released in October 1994. For reference, we have also included pertinent information from SESC year 1992 (July 1, 1992, to June 30, 1993).

The SESC was established on July 20, 1992, as an independent agency charged with ensuring fair securities and financial futures transactions, thus maintaining the confidence of investors in these markets. Based on provisions in the Securities and Exchange Law (SEL) and related legislation, the SESC has three main functions: ① investigations of criminal offences, which comprise non-compulsory investigations (inquiring, inspecting and provisional holding), and compulsory investigations (visiting, searching and seizing with legal warrants); ② on-site inspections of securities companies to supervise compliance with laws and regulations on the maintenance of transaction fairness; and ③ daily market surveillance of securities transactions based on information and reports from securities companies and self-regulatory organizations (SROs). Through these functions, the SESC strives to ensure free, fair and transparent securities markets in Japan.

The SESC, which commenced its activities with a staff of 202, including personnel posted at regional operations, has strengthened its functions by accumulating know-how in the surveillance of securities transactions and increasing the number of personnel engaged in investigations of criminal offences.

In view of the growing importance of international cooperation and cross-border law enforcement collaboration, the SESC actively participates in bilateral and multilateral meetings of regulatory authorities together with the Securities Bureau of the Ministry of Finance. In October 1993, the SESC joined the International Organization of Securities Commissions (IOSCO) as an associate member. Through these activities, we will continue to actively exchange opinions and information.

It is my sincere hope that this report will facilitate public understanding of the SESC and the importance of its activities in securities markets.



Toshihiro Mizuhara
Chairman
Securities and Exchange Surveillance Commission
October 1994

Commissioners' Profiles



Chairman **Toshihiko Mizuhara**

- 1953 Graduated from Chuo University, Faculty of Law
Legal trainee
- 1955 Public prosecutor, Tokyo District Public Prosecutor's Office
- 1979 Deputy director-general, Criminal Affairs Bureau, Ministry of Justice
- 1987 Chief prosecutor, Yokohama District Public Prosecutor's Office
- 1991 Superintending prosecutor, Nagoya High Public Prosecutor's Office
- 1992 Chairman, SESC



Commissioner **Hidetaka Mihara**

- 1956 Graduated from Tokyo University, Faculty of Law
Board of Audit
- 1972 Director, Coordination Division, 5th Bureau
- 1980 Director, General Affairs Division, Secretariat
- 1985 Director general, 1st Bureau
- 1990 Secretary general
- 1992 Commissioner, SESC



Commissioner **Masamichi Narita**

- 1956 Graduated from Tokyo University, Department of American Studies
NHK (Japanese Broadcasting Corporation)
- 1970 Correspondent, London Office
- 1973 Editor for economic affairs, News Department
- 1979 Director, Economic Division, News Department
- 1987 Chief commentator
- 1992 Commissioner, SESC

Summary

The SESC's activities in SESC year 1993 (July 1, 1993, to June 30, 1994) are detailed throughout this report. Following are summaries of investigations of criminal offences, inspections and market surveillance activities conducted during this year.

(1) Investigations of criminal offences

The SESC conducted two compulsory investigations, related to insider trading and the submission of securities reports with falsified information, respectively.

In May 1994, the investigation of falsified report submission resulted in an accusation of SEL violations sent from the SESC to the Tokyo District Public Prosecutor's Office.

Since its establishment, the SESC has conducted three compulsory investigations, resulting in two cases of accusations.

In June 1994, the SESC also sent its first proposal to the Minister of Finance, based on findings, through the investigation of the falsified securities report case, of problems regarding the examination process for registering securities in the over-the-counter (OTC) market.

In September 1993, the SESC recommended that the Minister of Finance take disciplinary actions and other appropriate measures regarding a market manipulation case accused by the SESC in May 1993 that revealed grave violations of the SEL by securities companies and their employees.

(2) Inspections

In all, 268 securities companies, including foreign securities companies (as of June 30, 1994), and financial institutions licensed to provide securities services are subject to SESC inspections. During SESC year 1993, inspections were commenced at 87 securities companies and 13 financial institutions.

Since its establishment, the SESC has inspected a total of 171 securities companies and 24 financial institutions.

In conducting inspections, the SESC puts priority on such matters as compliance with transaction rules, sales practices and internal control systems.

Based on its inspections, the SESC found the following facts: ① failure to comply with transaction laws and regulations regarding solicitation activities and securities transactions to boost brokerage income; ② inappropriate aggressive solicitation for sales of investment trusts and, to boost brokerage income, improper sales practices that neglect the will of investors; and, ③ deficiencies in internal control systems due to the lack of awareness in observing transaction laws and regulations, as well as insufficient understanding of the importance of internal control systems.

The SESC sent recommendations to the Minister of Finance for disciplinary actions or other appropriate measures against 12 securities companies in which grave legal and regulatory violations were found related to the above points.

(3) Market surveillance

In SESC year 1993, the SESC conducted surveillance activities in 217 cases, including 162 of suspected manipulation and 50 of insider trading. Since its establishment, the SESC has carried out surveillance activities in 387 cases, including 316 of suspected manipulation and 62 of insider trading.

In conducting its market surveillance activities, the SESC examines how securities companies take part in specific securities transactions and whether said involvement violates the SEL and its regulations. The SESC also oversees SROs, particularly whether they are properly performing their functions to monitor market activities.

The number of surveyed cases of suspected manipulation has been increasing because, under the market condition of sluggishness in corporate business results, sharp rises or drops in stock prices were observed on stocks having particular material news or being under a tight market condition in demand and supply. The surveyed cases of insider trading have also been increasing, as many companies revised their income estimates as a result of massive business losses, which often affected their stock prices significantly.

Chapter I

Investigations and Accusations of Criminal Offences

I. Outline

1. Significance of and authority for investigations of criminal offences

The authority of investigation of criminal offences was created especially for the SESC at its establishment. With this new authority, the SESC traces illegal actions violating laws and regulations, then calls for criminal prosecution after making accusations. This authority was created to ensure market fairness, as well as to protect investors.

Investigations of criminal offences are carried out by SESC staff as their particular authority under the SEL, the Law on Foreign Securities Firms (LFSF) and the Financial Futures Trading Law (FFTL), while inspections are conducted under the authority delegated by the Minister of Finance.

Specifically, the SESC staff may conduct non-compulsory investigations of criminal offences, including making inquiries of suspects and related parties, inspecting evidence obtained from those investigated and the provisional holding of relevant materials. The SESC may also conduct compulsory investigations with legal warrants. Such investigations include visiting and searching the premises of suspects, and seizing related evidence.

2. Scope of criminal offences

The scope of criminal offences that violate securities transaction fairness prescribed in the relevant Cabinet Order is mainly offences involving the submission of securities reports with falsified information, loss compensation on securities transactions, market manipulation and insider trading.

The results of investigations are reported to the SESC by the investigating SESC staff. When convinced of a suspect's guilt, the SESC sends an accusation and delivers evidence seized during its investigations as well as lists of said evidence to the Public Prosecutor's Office.

II. Status of Accusations of Criminal Offences

1. Investigations of criminal offences

In December 1993 and June 1994, respectively, under the authority of compulsory investigation explained above the SESC visited and searched the homes and offices of criminal suspects and seized evidence related to two charges: one of submitting falsified securities reports and the other of engaging in insider trading.

2. Accusations

As a result of these investigations, on May 17, 1994, the SESC sent an accusation to the Tokyo District Public Prosecutor's Office against parties suspected of violating the pre-amended SEL (before the amendment of 1992) by submitting falsified securities reports. (The company submitting the securities reports and two former officers of said company were accused.)

Outline of facts

The accused company (suspect A) produces audio-visual educational publications and has its stock registered in the OTC market in November 1990. The violations by suspects B and C, the representative director and a director of suspect A, are described below:

① The suspects submitted a falsified securities report in June 1991 to the Minister of Finance for suspect A's eighth fiscal year (April 1, 1990, to March 31, 1991). In this report, balance sheet items were falsified to disguise an unappropriated net loss of approximately ¥3,170 million as an unappropriated net gain of approximately ¥470 million. In this incident, the suspects committed such acts as creating fictitious sales of paintings by borrowing the buyer's name and financing payments with money borrowed off the balance sheet.

② The suspects were also accused of submitting a similarly falsified securities report to the Minister of Finance in June 1992 for Suspect A's ninth fiscal year (April 1, 1991, to March 31, 1992). In this case, an unappropriated net loss of approximately ¥3,600 million was disguised as an unappropriated net gain of approximately ¥650 million.

The acts of suspects B and C fall under Article 197(1)2 of the pre-amended SEL, and, concerning parties submitting falsified securities reports, Article 24(1) of the SEL. Suspect A was also accused under Article 207(1) of the pre-amended SEL, which refers to the joint punishment provision.

Reference

In SESC year 1992, the SESC conducted a compulsory investigation in December 1992, searching the homes and related offices of suspects, seizing related materials and carrying out necessary investigations under its authority regarding suspects of market manipulation related to stocks listed on the First Section of the Tokyo Stock Exchange (TSE). The SESC submitted an official accusation of market manipulation violations of the SEL to the Tokyo District Public Prosecutor's Office.

Chapter 2

Recommendations

I. Outline

According to the results of inspections and investigations of criminal offences, as deemed necessary the SESC can send recommendations to the Minister of Finance for disciplinary actions or other appropriate measures to ensure securities transaction fairness. Following are the contents of these recommendations classified by type:

- (1) For disciplinary actions against legal violations by securities companies and financial institutions;
- (2) For disciplinary actions against SROs, such as securities dealers associations and stock exchanges, which neglect to enact their authority and take necessary actions in cases of violations by securities companies and financial institutions; and
- (3) Recommendations that the Minister of Finance instruct SROs to take appropriate measures when said SROs neglect to enact their authority and take necessary actions in cases of violations by securities companies and financial institutions.

The Minister of Finance must respect recommendations made by the SESC. The SESC can also request the Minister of Finance to report on actions taken based on its recommendations.

After receiving recommendations for disciplinary actions, and based on the results of inspections and investigations by the SESC, the Minister of Finance holds hearings for securities companies and takes appropriate actions, such as suspending the operations of the accused company.

Matters concerned with the registration of sales representatives, including disciplinary actions, have been delegated by the Minister of Finance as the responsibility of the Japan Securities Dealers Association (JSDA). This association takes disciplinary actions in cases of illegal sales activities by securities companies. The JSDA takes such measures as revoking sales representative registrations and suspending operations as sales representatives. These measures result from notifications by the Minister of Finance following hearings by the JSDA of the accused based on SESC recommendations and inspection results.

II. Status of Recommendations

In SESC year 1993, the SESC sent 13 recommendations to the Minister of Finance for disciplinary actions against securities companies and their officers for grave legal violations found during inspections and investigations of criminal offences.

A total of 12 recommendations for disciplinary actions were based on the results of inspections of securities companies. One recommendation for disciplinary actions was based on the results of investigations of criminal offences.

Disciplinary actions following these recommendations were applied to six companies and 45 officers. The details of these cases, classified by the violating parties and their acts, and disciplinary actions taken by the Minister of Finance and SROs, are as follows:

(1) Companies and officers in violation of laws and regulations

① *Solicitation with the promise of loss compensation*

(Violation of the pre-amended SEL)

- Securities company Q presented some customers with notes guaranteeing the principal in securities transactions (August 1985 to September 1991). Some officers and employees of securities company Q took part in this incident.

Disciplinary actions

Against the company: Suspension of operations at the headquarters Corporate Business Section (10 days).

Against the officers and employees: Revocation of sales representative registration, suspension of operations as sales representative (six months, three months).

Note: The reasons for these actions include the illegal acts in ②(b) below.

② *Solicitation with the promise of profit*

(Violations of ministerial ordinances, according to the pre-amended SEL)

- (a) Officers and employees of securities company B were blamed by several customers for hidden securities transaction losses. As a result, from August 1989 to October 1991, without the consent of securities company B, the officers and employees arranged off-market securities transactions between the customers that let them trade securities at prices widely exceeding market value. (Such practices are referred to as *tobashi*.) After securities company B discovered the facts in May and October 1991, it continued similar violations from June 1991 to September 1992.

Disciplinary actions

Against the company: Suspension of operations at Corporate Business Sections I and II of the sales branch concerned at company B (10 days).

Against the officers and employees: Revocation of sales representative registration.

- (b) Officers and employees of securities company Q were blamed by several customers for hidden securities transaction losses. As a result, from October 1986 to May 1990, without the consent of securities company Q, the officers arranged *tobashi* at prices widely exceeding market value. After securities company Q discovered the facts in May 1990, it continued similar violations from May 1990 to May 1991.

Disciplinary actions

Against the company: Suspension of operations at the headquarters Corporate Business Section (10 days).

Against the officers and employees: Revocation of sales representative registration, suspension of operations as sales representative (six months, three months).

Note: The reasons for these actions include the illegal acts in ① above.

③ *Securities transactions that deliberately manipulate the market*

(Violation of a ministerial ordinance, according to the pre-amended SEL)

In the TSE TOPIX options market, securities company O carried out cross-transactions on its own account for the purpose of manipulating the market (March 1991). This violation was made to partially compensate the transaction

losses of large corporate customers on securities for which the transaction volume was expected to rise. Securities company O provided its customers with profits yielded through the transactions.

Most of the transactions on the share concerned were in some way related to securities company O.

Disciplinary actions

Against the company: Suspension of TOPIX option transactions on its own account at the headquarters Stock Section (20 days).

④ *Accepting securities transactions despite knowledge that deliberate market manipulation will result*
(Violation of a ministerial ordinance, according to the pre-amended SEL)

Regarding the case in which the SESC sent an accusation of market manipulation for stocks listed on the TSE First Section to the Tokyo District Public Prosecutor's Office (May 1993), 13 employees, including branch managers from 11 securities companies, accepted securities orders despite prior knowledge that the suspected customer attempted to increase the stock price concerned (September 1990 to May 1991).

The actions of three of these securities companies were recognized as illegal corporate behavior.

Disciplinary actions

Against the companies: Suspension of brokerage services related to securities trading at the concerned branch offices (five days, three days, two days).

Against the employees: Revocation of sales representative registration, suspension of operations as sales representative (six months, three months, one month).

(2) Acts of individual employees in violation of laws and regulations

① *Solicitation with promises of loss compensation*
(Violation of the pre-amended SEL)

(a) Three employees at branch offices Q, R and S of securities company W solicited specific customers promising that all losses incurred from investment trust transactions would be compensated in full (September 1989 to May 1991). The employees' objective was to improve their sales results.

Disciplinary actions

Against the employees: Revocation of registration, suspension of operations as registered sales representative (one month).

Note: The reasons for action against the employee from branch office Q include illegal acts in ④ below.

(b) Two employees at branch office J of securities company O guaranteed the investment principal for several customers in the sale of investment trusts (February 1989 to February 1990). The employees' objective was to increase the sales results of branch office J.

Disciplinary actions

Against the employees: Suspension of operations as registered sales representatives (two weeks, one week).

- (c) To boost brokerage income, an employee at branch office I of securities company Q solicited specific customers promising that any losses incurred from securities transactions would be recovered by other means (November 1989).

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (two weeks).

② *Conclusion of discretionary trading account transaction contracts*

(Violation of the pre-amended SEL)

- (a) A commission sales representative in Sales Division II of the headquarters of securities company T agreed with a specific customer to accept an order for securities transactions (January 1992 to May 1993). The nature of this agreement gave the employee discretionary powers to decide, without customer consent about whether to purchase or sell, shares issued, number of shares and prices. The employee was concerned about a possible drop in the amount of transactions when the customer in question moved to a new work location.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (one month).

- (b) Two employees of securities company P, including the manager of the headquarters Stock Department, entered into a transaction agreement with a specific customer introduced by their superior. For each transaction, the employees took discretionary powers to decide, without customer consent about whether to purchase or sell, shares issued, number of shares and prices. Under this agreement, transactions were carried out from January 1992 to July 1993.

Disciplinary actions

Against the employees: Suspension of operations as registered sales representatives (three weeks, two weeks).

- (c) Three employees, including Sales Division managers at branch office N of securities company U, agreed to accept orders for securities transactions. The nature of this agreement gave the employee discretionary powers to decide for the transactions, without customer consent about shares issued, number of shares and prices. It was also agreed to use accounts under assumed names. Under this agreement, transactions were carried out from March 1992 to February 1993.

Disciplinary actions

Against the employees: Revocation of registration and suspension of operations as registered sales representatives (one month, three weeks).

Note: The reason for action against one of these employees includes illegal acts in ③ below.

- (d) An employee at branch office P of securities company V carried out transactions with the agreement of a specific customer to accept stock index option transactions that gave the employee discretionary power to decide the amount of transactions to be undertaken (August 1992 to February 1993). These transactions occurred without customer consent as to whether he should take the position of the party granting or acquiring such options, or as to what series would be used, in what number and at what premium amount.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (three weeks)

③ *Untrue securities transaction representation*

(Violations of ministerial ordinances, according to the pre-amended SEL and the SEL)

- In concluding discretionary trading account transactions (May 1991 and March 1992), the manager of the Sales Division at branch office N of securities company U misrepresented the market prices of securities to a specific customer introduced by his superior. The employee presented a falsified transaction statements because the customer's account was performing extremely badly at the time.

Disciplinary actions

Against the employee: Revocation of sales representative registration.

Note: The reason for action against this employee includes illegal acts in ② above.

④ *Solicitation with the promise of profit*

(Violation of a ministerial ordinance, according to the pre-amended SEL)

- An employee at branch office Q of securities company W solicited several customers for investment trusts, promising to purchase investment trusts held by these customers at that time, at a higher price than market value (July 1990 to June 1991).

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (one month)

Note: The reason for action against this employee includes illegal acts in ①(a) above.

⑤ *Securities transactions seeking speculative profit*

(Violations of ministerial ordinances, according to the pre-amended SEL and the SEL)

- (a) An officer of securities company S traded securities on margin transactions using an account under the name of a personal friend (September 1984 to January 1994). (Incidents: approximately 2,000; stocks traded: approximately 2,100,000.) The officer sought speculative profits for himself and increased sales results for his company.

Disciplinary actions

Against the officer: Suspension of operations as registered sales representative (two months).

- (b) A commission sales representative at the Investment Sales Division of branch office M of securities company R on many occasions traded stocks on margin transactions using an account under the name of his own child (March 1988 to October 1993). (Incidents: approximately 400; stocks traded: approximately 1,600,000.) The employee sought speculative profits and increased commission.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (one month).

(c) An employee at branch office A of securities company A on many occasions traded stocks using specific customers' accounts (May 1988 to March 1992). (Incidents: approximately 200; stocks traded: approximately 400,000.) The employee sought profit for himself.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (three weeks).

(d) The manager of the Sales Division at branch office K of securities company Q on many occasions traded stocks using customers' accounts (May 1991 to May 1993). (Incidents: approximately 200; stocks traded: approximately 300,000.) The employee sought to receive money for personal use.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (three weeks).

(e) On many occasions, an employee in the headquarters Sales Division of securities company U traded stocks and warrants using the accounts of specific customers (December 1986 to May 1992). (Incidents (stocks): approximately 200; stocks traded: approximately 300,000; incidents (warrants): approximately 20; warrants traded: approximately 300.) The employee sought speculative profit for himself and increased sales results.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (three weeks).

⑥ *Gravely inappropriate acts of registered sales representatives*

(Inappropriate acts by registered sales representatives, including lending names and accepting transactions under assumed names, fall under the SEL)

- A commission sales representative at branch office I of securities company N many times accepted and executed orders from customers for stocks transactions (November 1989 to December 1990). For these orders, the employee let customers use the names and addresses of personal friends.

The employee actively sought names to be borrowed for said accounts.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (one month).

Notes:

1. "Pre-amended SEL" refers to the law in effect until January 1, 1992. "SEL" refers to the law as amended and in effect thereafter.
2. Terms of disciplinary actions against companies are applied on a business-day basis.

Reference

In SESC year 1992, the SESC sent two recommendations to the Minister of Finance for disciplinary actions against securities companies and their officers/employees for grave legal violations found during inspections.

Disciplinary actions following these recommendations were applied to two companies and four officers/employees. The details of these cases classified by the violating parties and their acts, and disciplinary actions taken by the Minister of Finance and SROs, are as follows:

(1) Solicitation with the promise of profit

(Violation of a ministerial ordinance, according to the pre-amended SEL)

- An officer of securities company A arranged *tobashi* for customers (August 1989 to October 1990) for the purpose of hiding securities transaction losses of his customers.

After securities company A discovered the incident in October 1990, it continued similar violations.

The company and officer promised the customer that the subject securities would be resold to other customers at prices exceedingly higher than market value.

Disciplinary actions

Against the company: Suspension of operations at Corporate Business Divisions I and II of branch office A (five days).

Against the officer: Revocation of sales representative registration.

(2) Accepting securities transactions despite knowledge that deliberate market manipulation will result

(Violation of a ministerial ordinance, according to the pre-amended SEL)

- Claims were made against securities company A by some customers who held the company's convertible bonds with hidden losses. At the company's judgment, certain profits were to be provided to the customers concerned. Prior to the acceptance and execution of orders from these customers in April 1990, the company solicited transaction orders from other customers with the knowledge that market manipulation, not reflecting actual market conditions, would result. Several officers and employees took part in this case.

Disciplinary actions

Against the company: Suspension of convertible bond dealing operations at the headquarters Convertible Bond and Warrant Division (19 days).

Against the officers: Revocation of sales representative registration.

(3) Conclusion of discretionary trading account transaction contracts

(Violation of the SEL)

- The assistant manager of the headquarters Corporate Division of securities company B carried out transactions after agreeing with specific customers, who held securities with hidden losses, to accept orders for margin transactions (July to September 1992). These transactions gave the assistant manager discretionary power to decide, without customer consent, about the number of shares and their prices.

Disciplinary actions

Against the employee: Suspension of operations as registered sales representative (2 weeks).

Table 1: SESC Recommendations

(Unit: cases)

Category	SESC Year 1992	SESC Year 1993
Number of recommendations	2	13
Based on inspections	2	12
Based on SESC inspections	1	7
Based on regional finance bureau inspections	1	5
Based on investigations of criminal offences	—	1

Chapter 3

Proposals

I. Outline

The SESC can send proposals to the Minister of Finance as necessary for maintaining securities transaction fairness based on the results of inspections and investigations of criminal offences.

In its proposals, the SESC states its view about laws, regulations and self-regulatory rules, after analyzing facts found through inspections and investigations of criminal offences. SESC proposals are to be reflected in regulatory rules and in the policy planning of the Ministry of Finance and SROs.

SESC proposals are treated as important materials for carrying out policies of the Ministry of Finance.

II. Status of Proposals

1. Proposal status

In SESC year 1993, the SESC sent one proposal, based on an investigation of a criminal offence, to the Minister of Finance.

2. Content of proposal

Following an investigation of a falsified securities report, the SESC found problems in the JSDA examination process for registering securities in the OTC market. On June 14, 1994, the SESC sent a proposal to the Minister of Finance calling for appropriate measures on the JSDA's rules to ensure strict and in-depth registration screening. Appropriate measures were also called for to ensure investor protection.

Specifically, the SESC proposal pointed out problems as follows:

- ① For several years, a suspect company that was accused by the SESC to the Tokyo District Public Prosecutor's Office on May 17, 1994, had disguised net losses as net income by appropriating large amounts of fictitious sales at fiscal year-end. This activity is called "window dressing." As a result, unusual trends were found in the suspect company's operational results. For example, profits with no apparent justification occurred at specific times each fiscal year. However, this trend was not sufficiently examined during the registration screening process.
- ② The controlling corporation of the suspect company played an important role in the window-dressing incident. Before applying for registration, the suspect company also liquidated affiliated companies holding deficits with no clear reasons. However, these facts were not sufficiently recognized during the registration screening process.
- ③ During the registration screening process, the suspect company's financial condition and operational performance were not sufficiently understood, and reports about problems from association member companies were also not given priority by the JSDA. In addition, member companies and the auditor of the suspect company did not cooperate sufficiently.

3. Measures following the proposal

On June 14, 1994, the director-general of the Securities Bureau of the Ministry of Finance ordered the JSDA to take appropriate measures.

On June 28, 1994, the director-general of the Securities Bureau of the Ministry of Finance reported to the SESC that the JSDA had enacted countermeasures covering the points in the SESC proposal.

Reference

The SESC sent no proposals in SESC year 1992.