

## I. Receiving Information from the General Public

### 1. Information receiving system

Visits by and telephone calls and letters from the general public are useful sources of information for inspections, market surveillance activities and investigations of criminal offenses. The SESC has therefore established a system for receiving such information, and since its establishment has actively sought information from the general public.

### 2. Status of information receipt

In SESC year 1996, the SESC received 255 items of information from investors: 138 telephone calls, 90 letters and 27 visits.

Information is diverse and includes that related to sales practices of securities companies and specific issues, as well as opinions directed toward the SESC and government offices in general. Information can be classified generally as follows:

Concerning specific issues	111 items
Concerning the sales practices of securities companies	113 items
Opinions and inquiries about the SESC and government offices in general	31 items

Information received is passed to, and used by, departments conducting inspections, market surveillance activities and investigations of criminal offenses. Such information includes that which provides the SESC with suggestions of items to be looked for in inspections of securities companies and effective information for inspections of transactions of specific issues.

When concrete resolutions are requested concerning information on problems between securities companies and investors, the SESC on occasion introduces

matters to the Office of Security Complaint Consultation of the JSDA, where a system of claim management has been established.

## II. Strengthening Surveillance Systems

### 1. Staff training

Since its establishment in July 1992, the SESC has striven to foster the expertise and improve the quality of its staff through seminars and on-the-job training

(OJT). Concerning staff education, the SESC holds intensive seminars immediately following personnel changes, as well as seminars designed especially for managers. The SESC also sends staff to seminars of the SEC in the United States to learn surveillance skills and systems overseas.

In addition, for the purpose of implementing thorough inspections and surveillance, the SESC is striving to reinforce and upgrade its organization. In SESC year 1996, the addition of one Inspector for Securities and Exchange and one Investigator for Securities and Exchange was approved. In order to upgrade transaction surveillance capabilities, the addition of one person in the new post of Market Surveillance Coordinator was approved.

## ***2. Comprehensive Securities System development***

In line with rapid advances on deregulation and internationalization of financial and capital markets, the business scope of securities companies is expanding and becoming more advanced and complex. At the same time, factors affecting risk management are changing significantly.

These circumstances underscore the urgency of building computer-based back-up systems to help upgrade securities company inspection and market

surveillance capabilities. Since 1993, the SESC has been developing its Comprehensive Securities System, which can be broadly utilized for securities company inspection and market surveillance.

The Comprehensive Securities System is divided into two systems: the Securities Company Inspection System and the Market Surveillance System.

The Securities Company Inspection System assembles all kinds of financial data concerning securities companies and uses computers to automatically produce a register that allows comparison of companies, thus raising efficiency of inspections. This system has been in operation since SESC year 1995.

The Market Surveillance System contains information produced in the course of conducting surveillance of insider trading, market manipulation and other activities. The system permits quick or in-depth reference to stock exchange-listed and OTC-registered issues showing abnormal price movements, as well as the content of announcements of important incidents, thus enhancing the efficiency of surveillance. The system began operation in April 1997.

Currently, the SESC is actively developing two more systems for monitoring circumstances surrounding the trading of specific issues. One system automatically charts circumstances surrounding the formation

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of securities trading transactions, including names of customers. The other recreates sell and purchase order scenarios at the time of trading transactions. Both systems are scheduled to commence operation at an early stage during SESC year 1997.

The SESC regards the Comprehensive Securities System as extremely beneficial for conducting market surveillance. To raise the efficiency of inspection, surveillance and other activities in the future, the SESC will promote the development of systems that allow more in-depth analyses.