

Date of recommendation	Violations subject to recommendation	Administrative disciplinary action
<p>November 29, 2002 (inspection)</p>	<p>○Act of making a series of securities sale or purchase transactions meant to create an artificial market that does not reflect the actual state of the market</p> <p>In connection with corporate bonds redeemable with shares (reference share) of a listed company other than the bond issuer, or exchangeable bonds (hereinafter referred to as "EB"), BNP PARIBAS Securities (Japan) Ltd., through its (then) trader of the equity derivatives department in the Tokyo branch, caused the reference share price to fall ¥1 from the immediately prior contract price of ¥719 in the market by placing a large quantity of limit sell orders at ¥718 for the reference shares just before the end of the day's trading on May 17, 2001, the date when the EB redemption method, as to whether by payment of cash equal to the EB's principal amount or by delivery of the reference shares, was to be decided based upon the day's closing price for the reference shares. This was intended to put the closing price at a level lower than ¥719, so as to result in the EB redemption by delivery of shares, by creating a situation in which the closing price of the reference share would not equal or exceed ¥719 unless all of such sell orders were absorbed by the end of the trading day. This was done to enable BNP PARIBAS Securities, by delivery of the reference shares, to avoid risks that might have arisen from its status as a holder of the reference shares that had been held in preparation for the redemption.</p> <p>As a result, the price of the reference shares in fact closed at ¥718, and the EB redemption was made by delivery of the shares. BNP PARIBAS Securities was able to avoid any risks that might have arisen from its status as a holder of the reference shares.</p> <p>(Note) The case in question involved a single-time sell order, but the order led to a multiple-time transaction. Even a single-time order is deemed as being "a series of transactions for the sale or purchase of securities" as stipulated under the relevant law.</p>	<p>Administrative disciplinary measures taken against the company</p> <p>Business suspension order</p> <ul style="list-style-type: none"> <li>• The Tokyo branch was ordered to suspend trading of shares on its own account for 10 days</li> </ul> <p>Business improvement order</p> <div style="border: 1px solid black; border-radius: 15px; padding: 10px;"> <ul style="list-style-type: none"> <li>• Improving and strengthening in-house supervision of business operations, ensuring that employees, including those in managerial positions, observe laws and rules, and devising specific plans to prevent violation recurrence. Clarification of where the responsibility lay</li> <li>• Reporting of specific preventive measures being worked out to the SESC, in writing</li> </ul> </div>

- Data on recommendation issued to BNP PARIBAS Securities (Japan) Ltd.

### 1. Mechanism of the EB in this case

