

Message from the Chairman



Chairman: Takeo TAKAHASHI

The Securities and Exchange Surveillance Commission (SESC) was established on July 20, 1992 as an independent organization whose mission is to ensure fair securities transactions and maintain investors' confidence in securities markets.

This annual report covers the SESC's main activities in the 2003 SESC year (July 1, 2003-June 30, 2004).

It goes without saying that securities markets, where money is raised and invested, must function properly for the sound development of the national economy. As a means of fostering such markets, the fairness of securities transactions must be ensured so that investors can participate in the markets without any suspicion or anxiety about trading there.

In Japan, there are strong calls for securities markets to evolve into genuinely substantive markets with a wider investor base and play a key role in building a financial system that emphasizes a market mechanism as its core function. In order to achieve such goals, it is considered necessary to carry out comprehensive reforms of the markets.

Under such circumstances, the enhancement and strengthening of the SESC's market surveillance functions has become more important than ever before. To deal with this issue, the Securities and Exchange Law (SEL) was revised in 2004, which will drastically reinforce the SESC's functions. Under the revised the SEL, for example, administrative civil money penalty system for violation of certain provision of the SEL will be introduced (enforcement set for April 2005), while the authority of inspections (the authority to conduct inspections was delegated to the SESC by the Financial Services Agency) will be expanded (enforcement set for July 2005).

Another issue of growing importance faced by the SESC is the promotion of enhanced cooperation and information exchanges with overseas securities regulators at a time when the

number of cross-border activities that may undermine the fairness of domestic markets in the world is increasing, as information technology (IT) is rapidly advancing and securities deals are becoming more international.

This report takes these issues into consideration and summarizes the SESC's activities in the past year on maintaining investors' confidence in the securities markets.

I hope that this report will be useful to securities companies operating in Japanese markets in further enhancing the level of their compliance with laws. In addition, I expect the report to become instrumental to overseas securities regulators and securities service providers in having a better understanding of our activities.

高橋武生

Takeo Takahashi
Chairman
Securities and Exchange Surveillance Commission