

## Strategy & Policy 2023-2025

### - For Trusted, Fair and Transparent Markets in Response to the Changing Times -

January 27, 2023

Securities and Exchange Surveillance Commission

#### Mission

Through proper and appropriate market oversight,<sup>1</sup> the SESC will

1. Ensure market fairness and transparency, and protect investors
2. Contribute to the sound development of capital markets
3. Contribute to sustainable economic growth

The SESC, which was established in 1992 with the aim of ensuring fairness in transactions and maintaining investors' trust in the markets, has entered its 30th year and inaugurated its 11th term.<sup>2</sup>

For these years, the SESC's authority of market oversight has been enhanced and strengthened through several system reforms. New financial instruments and new forms of transactions have emerged and oversight targets have expanded and become increasingly complicated, sophisticated and globalized. In addition, environmental changes surrounding the markets have emerged, such as the spread of COVID-19, heightening geopolitical risks, and recent circumstances concerning economic security. New environmental changes may occur even during the SESC's 11th term.

Amid such significant environmental changes, the SESC will continue to fulfill its mission by utilizing its functions properly on a timely basis. The SESC's functions include broad market monitoring, prompt exercise of administrative functions to conduct investigations and inspections for administrative monetary penalties as well as securities inspections, and strict enforcement against serious and malicious cases.

More specifically, as explained below, the SESC will make efforts for achieving a virtuous cycle of "I. Information Gathering and Analysis for Comprehensive Market Oversight," "II. Effective and Efficient Investigations and Inspections," and "III. Effective

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<sup>1</sup> Oversight refers to the entirety of the SESC's activities, including market monitoring, examination of transactions, securities inspection, investigation of market misconduct, inspection of disclosure statements for administrative monetary penalties, criminal investigation, etc.

<sup>2</sup> The term of office for the chairman and members of the SESC is stipulated as three years (Article 13, paragraph (1) of the Act for Establishment of the Financial Services Agency), and this period of three years is called "a term."



Initiatives to Enhance Market Discipline." The SESC will further enhance its ability as a professional market oversight agency to make it the basis for achieving a virtuous cycle of market oversight.

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## Concrete Measures

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### I. Information Gathering and Analysis for Comprehensive Market Oversight

#### (1) Gathering of useful information

- Information is the key to the SESC's market oversight activities. The SESC will collect and utilize a wide range of useful information about the entire market through various information sources, such as the SESC's contact point for providing information and self-regulatory organizations.
- The SESC will integrate, analyze and accumulate useful information obtained in the process of market oversight. If necessary, the SESC will share information with the Financial Services Agency, Local Finance Bureaus, etc. The SESC will utilize the information in a multifaceted and multi-linear manner in its general market oversight activities.

#### (2) Appropriate understanding and analyzing of changes in the markets

- The SESC will keep an eye on a wide range of market transactions in equity/fixed-income markets, cash/derivative markets, and primary/secondary markets. The SESC will ascertain and analyze changes in domestic and overseas market environments on a timely basis, leading to preventive measures and early detection.
- In light of changes in the environment surrounding the markets and listed companies, as well as the progress in reviews of systemic issues, the SESC will take necessary actions in order to conduct seamless market oversight by appropriately addressing the emergence of new financial instruments and new forms of transactions and those beyond the reach of its oversight, and furthermore, by making responses to listed companies' initiatives for improving their information disclosure.

#### (3) Enhancing international cooperation

- The SESC will promote information sharing through international frameworks, such as the International Organization of Securities Commissions (IOSCO) to enhance global market oversight, and will exchange information on law enforcement cases and awareness of issues concerning market oversight through active cooperation with foreign authorities to utilize the results in its market oversight activities.

## **II. Effective and Efficient Investigations and Inspections**

### **(4) Securities inspections based on a risk-based approach**

- In collaboration with supervisory departments and Local Financial Bureaus, etc., the SESC will select financial instruments business operators for inspection based on risk assessment and endeavor to conduct verification and point out problems in a practical and meaningful manner. When any problem is found, the SESC will analyze the whole picture of the case, identify its root causes, and encourage voluntary improvement efforts to contribute to its prevention.

### **(5) Prompt responses against market misconduct and disclosure violations**

- The SESC will conduct prompt investigations and inspections so that it can swiftly make recommendations for an administrative monetary penalty payment order. The SESC will reveal the actual state of market misconduct and disclosure violations, and after ascertaining the whole picture of each case and searching for root causes, the SESC will have in-depth discussions with the related parties to prevent the occurrence and recurrence of violations.
- Regarding cross-border cases of legal violations and disclosure violations by global companies, the SESC will conduct investigations and inspections based on the characteristics of individual cases in collaboration with foreign authorities.

### **(6) Rigorous enforcement of criminal investigation against serious and malicious cases**

- Against serious and malicious violations, the SESC will take rigorous enforcement actions by exercising its powers of criminal investigation. In such instances, the SESC will cooperate with criminal investigators, prosecutors and foreign authorities in order to effectively reveal the facts, including who is to blame.

### **(7) Proactive response to cases where investors are harmed**

- From the perspective of protecting diverse investors through ensuring customer-oriented business conduct, the SESC will proactively take action against cases where investors are harmed, by such activities as conducting securities inspections against financial instruments business operators' inappropriate selling and promotion of financial instruments or filing petitions with the courts to issue prohibition and stay orders against unregistered business operators with offices in and outside Japan and entities that conduct the public offering of securities without notification, etc.

## **(8) Strengthening of the capability to address non-traditional and new types of violations**

- The SESC will also take proactive actions against non-traditional and new types of violations that may threaten market fairness (such as legally-evasive large volume holding and purchase and new-type of usage of fraudulent means) in light of changes in the environment surrounding the markets, while continuously addressing types of violations seen in the past cases of making recommendations for administrative actions or filing criminal charges.

## **III. Effective Initiatives to Enhance Market Discipline**

### **(9) Enhancement of dissemination of Information**

- In order to prevent investors from being harmed by market misconduct, the SESC will enhance dissemination of information, such as investor alerts.
- The SESC will highlight the significance, focus and details of cases in the press release of specific cases at the time of issuing recommendations, as well as in the casebooks it publishes. Through such efforts, the SESC will prevent market misconduct: including unintended ones, and further gather information through various information sources, such as the SESC's contact point of providing information and self-regulatory organizations.

### **(10) Further enhancement of cooperation with relevant organizations**

- When the findings of investigations and inspections suggest structural problems in the markets, the SESC will take actions to realize better market environments through providing inputs to relevant policymaking.
- In order to ensure that self-regulatory organizations, which have common objectives with the SESC, fulfill their further proactive roles, the SESC will share its intelligence and awareness with them in a timely manner and reinforce the effectiveness of market oversight.

## Enhancement of the Capability as a professional Market Oversight Agency

### ○ More advanced and efficient market oversight with digitalized technologies

- In order to achieve advanced and efficient market oversight, the SESC will promote further digitalization and enhancement of data processing capacity of its market oversight systems, development of digital forensics technology, and sophistication of its information systems.

### ○ Strategic development and utilization of human resources

- The source of power of the SESC's activities is its human resources. The SESC will develop its working environment so that all staff members can work actively and perform at their potential.
- The SESC will work to equip its human resources with specialized skills and broad perspectives on market oversight so that the SESC can duly fulfill its mission.
- By aggregating the enhanced capabilities of its human resources and knowledge of diverse experts specialized in law, accounting, IT, real estate, and financial engineering, etc., the SESC will respond to changes in the markets, which are becoming increasingly complicated and sophisticated, in cooperation with relevant organizations.

### ○ Promotion of cooperation with Local Financial Bureaus

- In order to ensure fairness and transparency in the markets and properly protect investors, cooperation with Local Financial Bureaus, which play roles in market oversight in respective areas, is indispensable. The SESC will further promote information sharing in diverse fields, such as securities inspections and ensure communications with Local Financial Bureaus to achieve integrated business operation.

#### SESC's Contact Point for Providing Information

<https://www.fsa.go.jp/sesc/watch/>

< For information provision by phone or FAX >

SESC Providing Information  Search



Direct line: Call 0570-00-3581 (or +81-(0)3-3581-9909 when using an IP phone, etc.)

FAX [only for the elderly and people with disabilities]: +81-(0)3-3506-6699 (Clearly enter "To SESC's Contact Point of Providing Information.")

- ◆ The SESC encourages the public to submit any tips and information such as "accounting fraud (recording of fictitious sales or fictitious profits, etc.)," "problems relating to investor protection (financial instruments with an extremely high yield, etc.)," "market misconduct (insider trading, market manipulation, etc.)."