



Recent Efforts of Japanese SESC for Integrity of the Securities Market

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I. Overview of the SESC

Our Mission

- To ensure the integrity of capital markets
- To protect investors



Organization of the SESC **- Current SESC Commissioners- (Since Dec. 2010)**

Chairman:

Mr. Kenichi Sado



Commissioners:

Mr. Shinya Fukuda

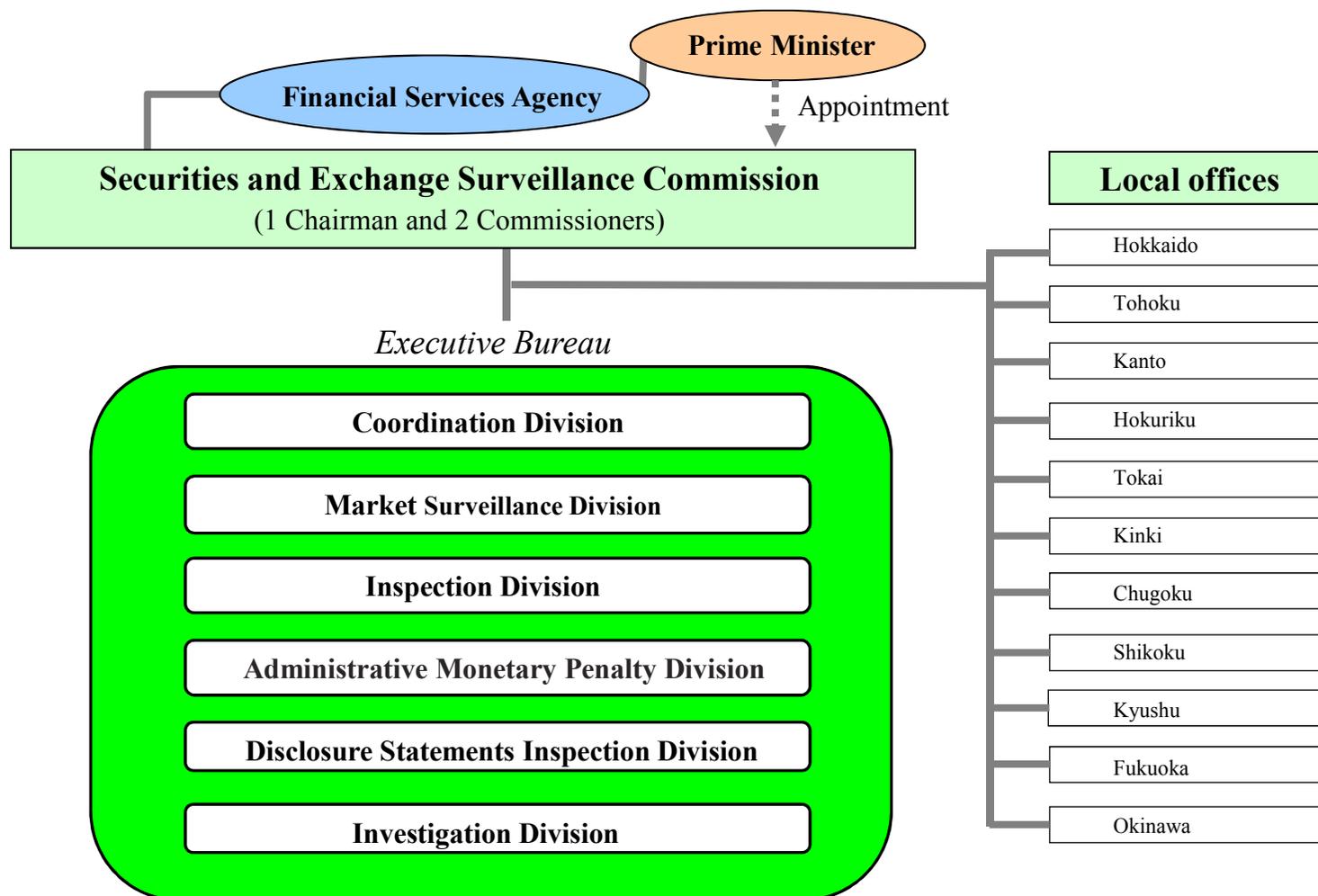


Mr. Masayuki Yoshida



Organization of the SESC

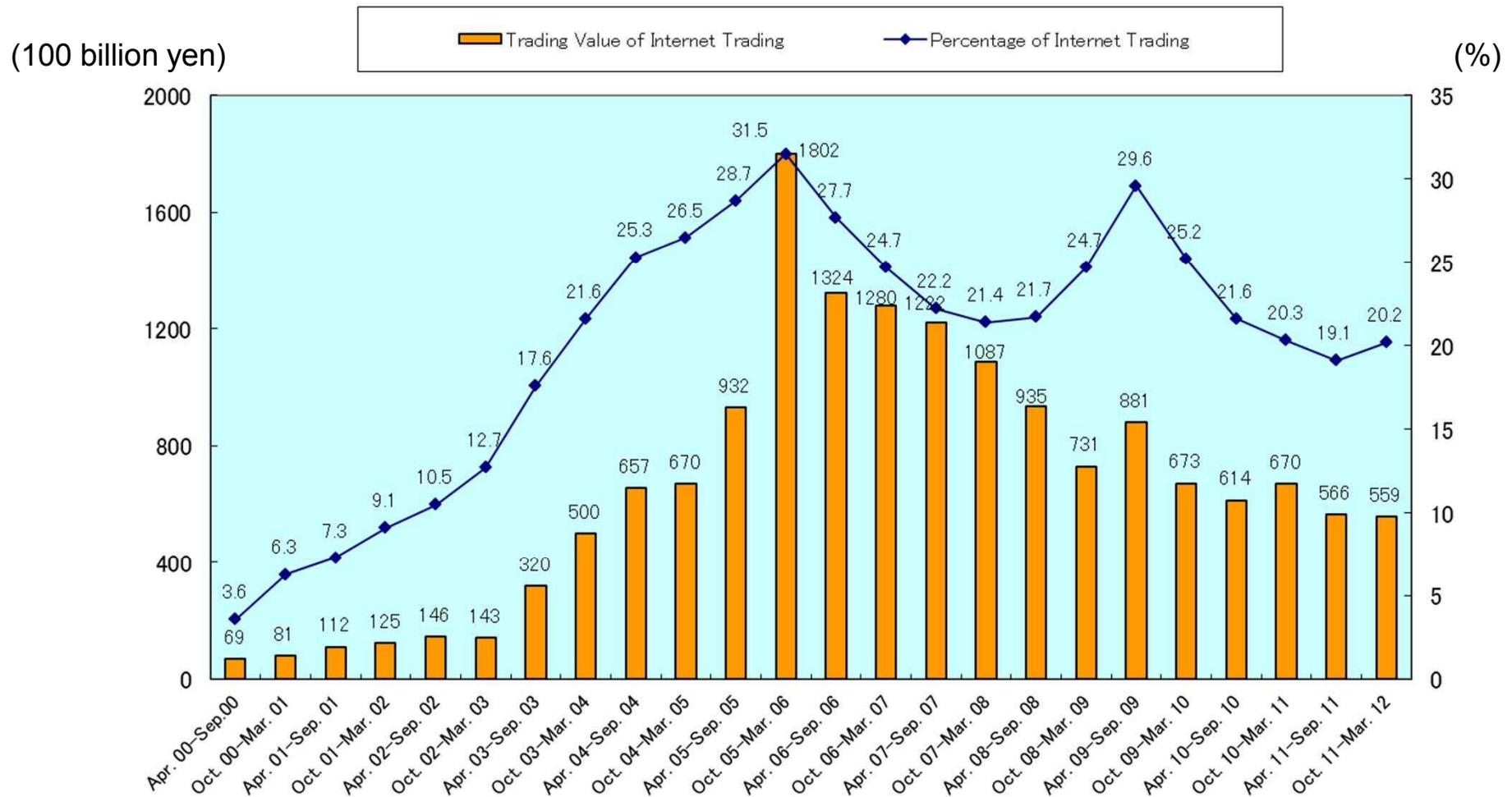
- SESC Organization Chart -





II. The SESC's Efforts concerning Internet Trading

Trading Volume of Internet Trading





In Terms of Enforcement

The expansion of internet trading brings about concern related to market manipulation

- **Market manipulation cases are often conducted as though they were video games**

However

- **Offenders always leave evidence of their misconduct**



In Terms of Market Surveillance

- **The SESC requested the SROs,* such as JSDA,** to establish rules on keeping customers' IP addresses used to make internet transactions for tracing the customers' orders.**

* SRO: Self Regulatory Organization

** JSDA: Japan Securities Dealers Association

- **The SROs required their members to keep IP addresses (Enforced since Jan. 2012).**

III. The SESC's Efforts for Ensuring the Appropriateness of Disclosure Documents

Olympus Case



Olympus Corporation ("Olympus"), a manufacturer of Medical Imaging Systems and Digital Cameras, was established in 1919, and listed on the TSE.

⇒ After a British executive took up the position of CEO of the company, the case came to light and Olympus announced last November:

An internal investigation by the third-party committee discovered that since the 1990s, Olympus had been deferring the posting of losses on investment securities, etc. incurred around Japan's bubble economy era and using a series of money-losing acquisitions to resolve those unrealized losses.





Schemes of the Olympus Case

By implementing the following schemes, Olympus (1) deferred ¥100b (\$ 1.3 b) investment losses incurred during the 1990's and (2) resolved such losses. It materially overstated its consolidated net assets in its disclosure documents.

Loss-separation Scheme

- Established foreign off-balance sheet funds in Singapore and Lichtenstein, etc., and transferred investment losses to such funds.

Loss-disposition Scheme

- Acquired Japanese and UK companies through its investment funds or directly, and booked excessive acquisition expenditures and an advisory fee to a financial advisor.



Criminal Investigation by SESC, Prosecutors Office, and Police

- The SESC conducted a compulsory investigation with the Tokyo Prosecutors Office and the Tokyo Metropolitan Police Department on the false statements from March 2007 to March 2011, and filed criminal complaints against Olympus, its former executives, and external cooperators with prosecutors.

International Cooperation with Overseas Regulators

- In addition to cooperation with domestic authorities, the SESC identified the fund flow of Olympus spanning 10 years, based on the information provided by overseas regulators, including UKFSA through the MOU.

Disclosure Statements Inspection by SESC

- In April 2012, the SESC made a recommendation for administrative monetary penalties of about ¥191 million (about US\$2.5 million) for the financial reports from March 2007 to June 2011.



Thank you

website :

<http://www.fsa.go.jp/sesc/english/index.htm>