

Violation of the large-volume holding reporting system is subject to administrative monetary penalty payment orders!

With the amendment of the FIEA in 2008, non-submission of statements of large-volume holdings and false statements were subject to the administrative monetary penalty system from the viewpoint of deterring violations of the large-volume holding reporting system.

However, the Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council pointed out that "There has been a number of cases in which the submission of reports has been delayed, and the effective implementation of the large-volume holding reporting system has not been ensured."

- Submission of statements of large-volume holdings
 - Number of submissions of statements of large-volume holdings: Approx. 14,000 cases per year (Note 1)
 - Number of late submissions: Approx. 1,500 cases per year (Note 2)

(Note 1) Average from 2019 to 2022.

(Note 2) Average number of statements of large-volume holdings submitted after the due date from 2019 to 2022.

(Note 3) Based on interviews conducted by local finance bureaus with persons whose submission of a statement of large-volume holdings was delayed.

*June 2023, Secretariat Briefing Pack, "1st Meeting of the Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council"

In addition, regarding ensuring the effective implementation of the large-volume holding reporting system, the report by the Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council (published on December 25, 2023) pointed out the following:

"One of the factors that have contributed to recent delays in the submission of statements of large-volume holdings is believed to be that the instances of enforcement of the large-volume holding reporting system by the authorities remaining few and far between. It is important, first of all, to strengthen the authorities' enforcement of the large-volume holding reporting system. Although it is not realistic to aim to enforce the large-volume holding reporting system in all instances, aggressive measures should be taken on instances that may affect the fairness of the market, including non-submission instances that are suspected to be intentional or significant submission delays."

For details of the report, please refer to the Financial Services Agency website.

https://www.fsa.go.jp/en/refer/councils/singie_kinyu/20240130.html

Under these circumstances, the Securities and Exchange Surveillance Commission ("SESC") has made the following recommendations for administrative monetary penalty payment orders against a person that has violated the large-volume holding reporting system.

- Recommendation for Administrative Monetary Penalty Payment Order for Violation of Disclosure Requirements by Large-Volume Holders of Shares of MITSUBOSHI CO., LTD. (June 28, 2024)
- Recommendation for Administrative Monetary Penalty Payment Order for Violation of Disclosure Requirements by Large-Volume Holders of Shares of SAKAI Holdings CO., LTD (September 10, 2024)

In addition, the SESC announced that 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) in its Strategy & Policy 2023-2025 (published in January 2023).

The SESC will conduct disclosure inspections for violations of disclosure regulations, including the large-volume holding reporting system, to ensure appropriate disclosure.