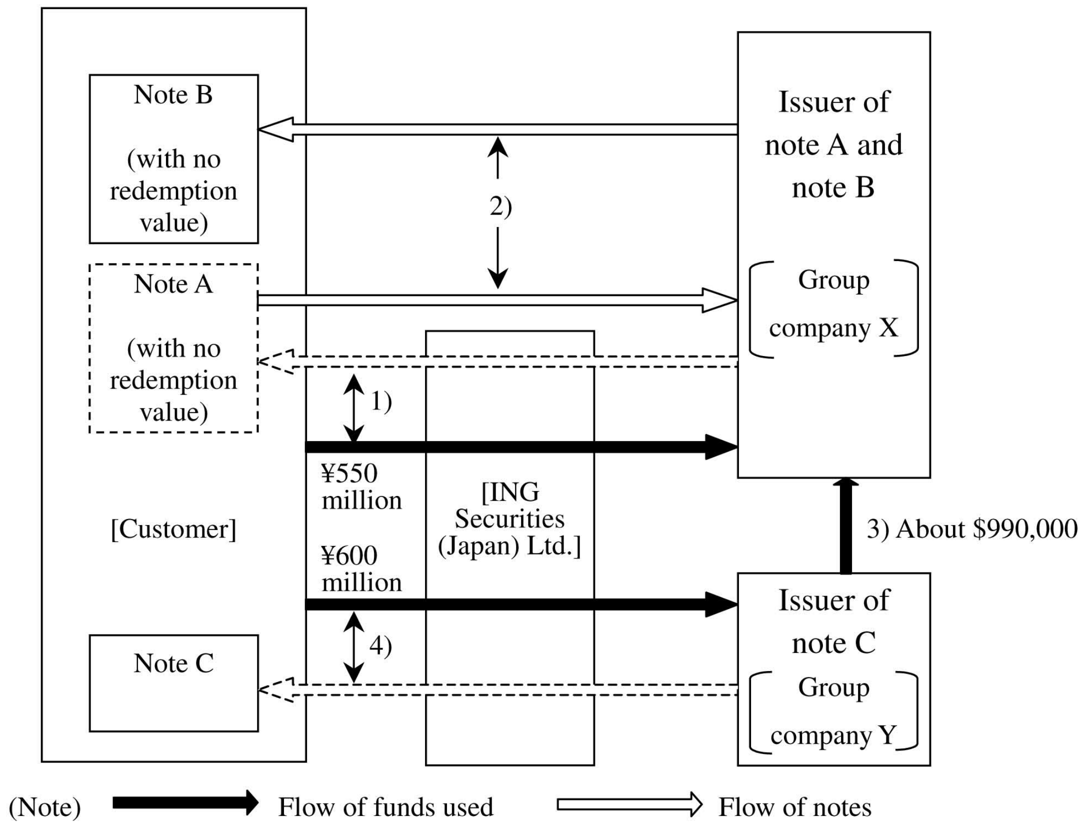
Date of recommendation	Violations subject to recommendation	Administrative disciplinary action
December 19, 2002 (inspection)	❍Act of soliciting business from any customer with a promise to provide any special benefit to the customer In January 1998, ING Securities (Japan) Ltd. solicited business from a certain corporate customer, who held a note of almost no redemption value immediately before maturity, with a promise to enable the customer to delay realizing losses by presenting a scheme, for the sole purpose of keeping the losses unrealized, in which the customer would acquire a new note into which the losses would be transferred and simultaneously purchase another different note to bear the expenses arising from the issuance of the new note.	Administrative disciplinary measures taken against the company Business suspension order • The debt market department of the Tokyo branch was ordered to suspend all operations for three days Business improvement order • 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 • Reporting of specific preventive measures being worked out to the SESC, in writing

- **Data on recommendation issued to ING Securities (Japan) Ltd.**

Transaction Flows



1) The customer bought note A, a repackaged note with a maturity of about five months which company X had issued with a bill floated by a Southeast Asian firm as collateral, via ING Securities (Japan) Ltd. for ¥550 million. With the scheduled redemption made impossible due to the cash shortage sustained by company X in the wake of the Asian currency crisis, the note's redemption period was extended for about one month on the condition that the customer would shoulder about $750,000 in foreign exchange-related costs that company X had previously agreed to pay.

2) Company X, in order to have the customer carry over the losses of note A in the next accounting term as the bill provided as collateral for note A became worthless, issued note B, a two-year note (with face value of ¥550 million) which was formed based on the bill that became worthless, on the condition that note A (with a face value of ¥550 million) would be traded for the new note.

3) Company Y temporarily put up a total of about $990,000 million in foreign exchange-related costs that arose from the extension of the original maturity period for note A plus the cost that stemmed from the issuance of note B.

4) Company Y issued note C (with a face value of ¥600 million) and had ING Securities (Japan) Ltd. sell that note to the customer at higher-than-market prices, which enabled company Y to recover $1.2 million, which consisted of the $990,000 mentioned in 3) plus services charges.