

Japan Exchange Regulation Inspection Plan for FY2026

March 30, 2026

Trading Participant Examination and Inspection Department
Japan Exchange Regulation

I. Basic Policy

Japan Exchange Regulation (JPX-R) is an organization dedicated to conducting self-regulatory operations for Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE). JPX-R sets forth its basic policy as follows on inspecting trading participants to examine their compliance with laws, regulations, and exchange rules (hereinafter collectively "laws and regulations"), as well as their business operations and financial position.

1. Conducting supervisory examinations and inspections (hereinafter collectively "inspections") with expertise as an organization of the exchange group

As a self-regulatory organization with close proximity to the market, JPX-R accurately understands the environment and issues surrounding the market, such as trends in international regulations, and cooperates with the exchanges' market operations and IT departments as well as the clearing organization (Japan Securities Clearing Corporation) to conduct highly specialized inspections to ensure the fairness and reliability of the exchanges' markets.

2. Monitoring trading participant's business operations and financial situation

JPX-R will gather and analyze information pertaining to trading participants (information on on-exchange trading activity, various statements and reports submitted by trading participants, disclosed information, past inspection results, results of inspections by other organizations, and information on clearing, etc.) in close collaboration with the Financial Services Agency (FSA) and the Securities and Exchange Surveillance Commission (SESC) and conduct monitoring based on the following principles.¹

(1) Targeted monitoring

If JPX-R is concerned about the existence of similar deficiencies on the part of multiple trading participants or considers it necessary to check, among other

¹ In addition to face-to-face contact, web-based meeting tools and other methods are used.

matters, the status of adjustments to amendments to laws and regulations, JPX-R will conduct cross-sectional assessments of the actual conditions of trading participants by conducting surveys and interviews and requesting that the relevant companies initiate internal inspections.

Moreover, JPX-R will flexibly check the actual conditions of trading participants: (i) changes in management systems, financial conditions, and business execution systems; (ii) improvement of deficiencies; and (iii) operations deemed to present high risks. JPX-R will do so by actively using monitoring methods such as surveys and interviews, in addition to inspections.

(2) Regular communications

JPX-R will regularly contact the people responsible for inspection and related persons to assess issues specific to each company, internal control environments, and the like. Information on these matters may be hard to evaluate through written documents such as statements and reports submitted by trading participants.

3. Strengthening inspection based on a risk-based approach

JPX-R will strengthen inspections based on a risk-based approach through risk assessment of trading participants based on the results of inspections and monitoring. In order to manage trading participants effectively and efficiently, it will also aim for overall optimization of inspection and monitoring.

(1) Selecting trading participants for inspection based on risks

JPX-R will consider the risk assessment results and prioritize inspection of trading participants that are deemed to be high-risk.

If it considers it is necessary to make more in-depth checks without delay, JPX-R is also flexible for conducting inspections that focus on a specific item, regardless of the number of days etc. since the last inspection.

(2) Conducting flexible inspections based on the severity of risk

Based on the results of the risk assessment and the business conditions and individual situations of the trading participant to be inspected, JPX-R will select the items and themes to focus on during the inspection. The number of inspection days and number of inspection officials will be determined flexibly according to the severity of the risk.

4. Strengthening internal management systems of trading participants

If the investigations reveal any violation of laws and regulations or activities that are inappropriate for sound market operations, JPX-R will not only correct and follow up on the situation but also encourage the trading participant to take measures to strengthen its internal management systems for matters deemed to have a potential risk in the future by discussing issues with trading participants, including their management team, for example.

In addition, JPX-R will disseminate information on cases identified during inspections as well as the results of cross-sectional investigations of trading participants through seminars and other means. At the same time, it will work to expand its support activities with a focus on human resources development to address the shortage of compliance personnel at trading participants.²

II. FY2026 Initiatives

1. Major changes in environment and rule revisions, etc. to note for inspections

(1) Status of Violations in the Market, etc.

In light of the fact that manipulative trading known as “layering,” involving the placement of multiple layered orders to create a misleading appearance of market depth, was identified in a trading participant’s proprietary trading of 10-year JGB Futures,³ OSE revised the “Guidelines for Rules concerning Trading Supervision Systems at Trading Participants to Prevent Unfair Trading”⁴ on November 20, 2025.⁵

During the inspections, numerous deficiencies were found in the status of system risk management systems, trading supervision systems for the prevention of unfair trading, and order management systems targeting activities such as low latency trading. In particular, with respect to trading

² For details on the support activities and support content currently being provided by JPX-R, please refer to the attached document (only available in Japanese).

³ Disciplinary actions were taken by OSE and TSE in December 2024.

⁴ The Guidelines are only accessible by trading participants in order to prevent circumvention of the regulations. The same applies to the corresponding Guidelines of TSE.

⁵ TSE has also reiterated its request that trading participants strengthen their trade monitoring frameworks for listed securities and other products, taking this case into account (November 20, 2025).

supervision systems, several trading participants had not appropriately implemented revisions to extraction criteria and other measures required under the revisions to the “Guidelines for Rules concerning Trading Supervision Systems at Trading Participants to Prevent Unfair Trading” following the introduction of the closing auction session at TSE on November 5, 2024. In light of these findings, on June 30, 2025, JPX-R requested trading participants of TSE to conduct internal checks to ensure that their responses to the revisions had been appropriately completed.⁶

Furthermore, taking into account an accounting fraud case that occurred in connection with an initial listing in FY2025, TSE and JPX-R published “The Exchange’s Measures in Response to Accounting Fraud Cases at the Time of IPO” on December 12, 2025. Trading participants acting as lead underwriters (hereinafter referred to as “lead underwriter trading participants”) are also expected to continue appropriately fulfilling their due diligence functions in underwriting examinations.⁷ In addition, with the number of tender offers and similar transactions involving listed companies increasing in recent years, a case has occurred in which a then-officer of a trading participant engaged in insider trading based on information obtained through his duties.⁸

(2) Changes in trading participant business models

Some trading participants have transferred their management rights or made significant changes to their business models and business execution systems in response to changes in the business environment.⁹ Although JPX-R has been checking the progress of internal management system development at such trading participants through ongoing monitoring and inspections, it has also observed that their internal management systems have not been developed properly according to the nature of their business, and that there

⁶ The results were presented at the COMLEC Inspection Practitioners Seminar held in December 2025. (The seminar materials (Japanese only) are available in the January 29, 2026 notice to persons responsible for inspection and Internal Administration Supervisors.)

⁷ In addition to this case, in FY2025, inappropriate business operations in domestic equity sales (including practices of conveying false statements to customers and providing misleading information) were identified at one company, and disciplinary actions were taken by TSE and OSE (in June 2025).

⁸ The SESC filed a criminal accusation with the Tokyo District Public Prosecutors Office on February 19, 2026 against a former officer of a trading participant and others.

⁹ Cases in which a business model focusing on face-to-face sales and dealing is changed to an online-only business have been identified.

have been many cases of delays in implementing features in their systems and violations of basic market regulations, among others.

In addition, due to changes in their management structures or business models, some trading participants are having problems securing and training staff to work in compliance, and as a result, they are behind in making improvements to issues raised in inspections.

(3) IT usage

In FY2025, there was a significant number of cases of unauthorized access and fraudulent transactions at internet trading services which used customer information such as IDs and passwords stolen through phishing websites impersonating trading participants' websites, or other means, causing losses to customers. In light of this situation, revisions were made on October 15, 2025 to the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." issued by the FSA, and to the "Guidelines for Preventing Unauthorized Access in Internet Transactions" issued by the Japan Securities Dealers Association (JSDA).¹⁰

During inspections, it was found that the identification and assessment of system risks and the development of responses to system failures and other emergencies were insufficient, mainly among trading participants who have outsourced system operations to vendors.

(4) Developments in Low Latency Trading, etc.

Low latency traders account for a large share of the number of orders and trading volumes at the exchanges. Against this backdrop, some low latency brokers were found during the inspections to have set excessively large order placement limits on orders and accumulated positions from low latency traders.

2. Priority Inspection Items, etc.

Based on the above-mentioned changes in the environment, inspections in FY2026 will focus on items from (1) to (3) as follows:

¹⁰ The introduction of phishing-resistant multi-factor authentication (MFA) for important operations such as login, as well as the provision of notification functions to customers, is required.

(1) Trading supervision systems to prevent unfair trading

JPX-R will examine whether trading participants have developed effective trading supervision systems that take the customer base into consideration. This includes identifying transactions that are likely to constitute unfair trading, conducting trade surveillance, taking necessary measures, responding to inquiries on unfair trading from JPX-R (including information on investors who send original orders from overseas), conducting internal audits of trading supervision operations, and responding to an increase in the number of cases subject to trade surveillance in light of recent market activity, in collaboration with JPX-R's Market Surveillance and Compliance Department.

Moreover, in light of the recent case of market manipulation involving proprietary trading in 10-year JGB Futures, JPX-R will verify the appropriateness of trading participants' criteria for identifying proprietary transactions and derivatives transactions if such criteria exist. It will also verify the effectiveness of trading participants' front offices in monitoring such transactions based on their characteristics as well as the effectiveness of trading participants' trading supervision departments in conducting trade surveillance, including fictitious orders placed through multilayered order placements (layering).

For low latency transactions, JPX-R will verify whether trading participants' methods of narrowing down the number of cases subject to trade surveillance are appropriate when a large number of cases have been identified.

JPX-R will follow up on the status of companies introducing principle-based trade surveillance¹¹ and check with those who have introduced the approach as to whether or not the requirements for the introduction have been met, among other things. Furthermore, for those who have started or are considering the use of AI in trade surveillance operations, JPX-R will also check whether they have formulated a framework that ensures the effectiveness of trade surveillance (including gauging the effectiveness of said framework at launch and periodically thereafter).

¹¹ TSE flexibly allows trade surveillance based on the business type and customer attributes of trading participants, provided that such participants have established a trading supervision system that meets certain requirements (Rule 4, Paragraph 1, Item 1, c. of TSE's "Rules concerning Trading Supervision Systems at Trading Participants to Prevent Unfair Trading").

(2) System risk management systems

With respect to cyberattacks, based on the recent revisions to the supervisory guidelines and the relevant industry guidelines,¹² JPX-R will verify measures implemented to prevent customer losses (such as the introduction of phishing-resistant multi-factor authentication (MFA) for important operations including login, as well as the provision of notification functions to customers). JPX-R will also verify whether effective measures against cyberattacks have been taken (including risk assessments, the establishment of response procedures, and conducting training), taking into account the entire supply chain including third-party service providers.

Also, JPX-R will check whether the development and operation of trading participants' computer systems for receiving and placing orders and settling trades are appropriately managed. If any systems-related operations are outsourced, JPX-R investigates whether or not trading participants check the status of such outsourced operations. If new technologies such as cloud services are used, it will investigate whether or not risks unique to those services are understood and risk-reduction measures according to the importance of data as well as applied business operations are implemented.

In addition, JPX-R will verify whether the remaining risks have been identified by comprehensively checking all systems and assessing the current countermeasures for critical systems. It will also evaluate vulnerability and threats, as well as whether or not sufficient countermeasures have been taken for identified risks.

Regarding system malfunctions, JPX-R will not only check whether there are effective measures in place to ensure stable system operations (such as development of procedures in response to disruptions in their own systems as well as exchange systems, etc., or development of alternative routes for major business operations) but also, for example, whether the causes of malfunctions have been identified and prevention measures have been appropriately formulated by addressing those causes.

¹² The "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." issued by FSA and the "Guidelines for Preventing Unauthorized Access in Online Trading" issued by JSDA, both of which were revised on October 15, 2025.

(3) Order management systems and other systems pertaining to Low Latency Trading, etc.

JPX-R will continue investigations concerning whether trading participants have developed order management systems for low latency trading and the like, including with regard to compliance with the Market Access Rule and the appropriateness of the limits on accumulated positions. It will also verify the implementation status of management systems to prevent abnormal orders due to algorithm malfunctions and the like and whether an appropriate framework is in place for system management, data transmission management, and other factors related to low latency trading activities, including responses to abnormalities.

(4) Other matters to be observed during inspections, etc.

In addition to the above, JPX-R will inspect matters focusing on the following items based on the recent situations surrounding trading participants.

- The appropriateness of guidance given and underwriting examinations conducted by the lead underwriter trading participant for companies applying for initial listing.¹³
- The status of the development of systems to prevent insider trading at trading participants, including the management of corporate-related information.
- The status of the implementation of guidance and supervision of financial instruments intermediary service providers from the perspective of preventing unfair trading, etc.
- Status of response to the revision of best execution regulations
- Impact on the management structure, business plans including future business models, and business execution systems of trading participants that have transferred their management rights, changed their business models, or underwent a reorganization following such changes.
- The status of trading participants' responses to digital transformation through the use of RPA and AI in addition to the aforementioned cloud services, the resulting changes to their business models, and the status of their development of internal management systems

¹³ JPX-R will also monitor the status of responses by the lead underwriter trading participant based on the content of "The Exchange's Measures in Response to Accounting Fraud Cases at the Time of IPO," which was published by TSE and JPX-R on December 12, 2025.

- Impact on Japanese companies with trading qualifications for certain reasons, such as when regulations overseas have changed and financial risk of overseas affiliates has been identified
- New trends such as new products and various services for securing profit sources to address matters including outflows of customer funds mainly due to aging customers and competition over lowering trading fees
- The status of the development of systems to comply with firewall regulations at trading participants who develop collaborative businesses between banks and securities companies

3. Information sharing with FSA, SESC, and other self-regulatory organizations

To contribute to the overall enhancement of trading participant oversight, JPX-R will continue boosting efforts by exchanging information, closely collaborating, and sharing views on problems with the FSA, SESC, JSDA, and other exchanges.

4. Dissemination of information related to inspection activities

JPX-R will widely disseminate information regarding its approach to inspections and the status of inspections and measures. This is aimed at encouraging appropriate responses from trading participants by sharing JPX-R's inspection viewpoints and deficiencies identified in the inspections, and allowing parties related to the capital market to gain an understanding of JPX-R inspection activities that are conducted to ensure the reliability of exchange markets.

5. Support for improvement of internal management systems

In addition to disseminating information in order to prevent trading participants from violating laws and regulations, JPX-R will continue to follow up on their efforts to make improvements on deficiencies found during inspections.

In addition, the seminar launched in FY2025 with a focus on developing compliance personnel will continue to be held in FY2026.

Please refer to the Appendix for outlines of other inspections and support for trading participants.

Appendix

1. Scope of inspections

Trading participant inspections shall, as a general rule, be conducted within the following scope.

(1) Types of inspections

There are three types of inspections:

- General inspections of trading participants for which inspections are deemed highly necessary based on on-going analysis of trading participant's business operations and financial situation;
- Follow-up inspections conducted as needed to check for improvements within approximately one year after an inspection; and
- Special inspections that focus on specific issues based on a range of information.

(2) Joint inspections with other self-regulatory organizations

As a general rule, general inspections of general trading participants will be carried out jointly with JSDA and other financial instruments exchanges.

(3) Notice of inspections, etc.

Where an inspection is to be carried out, notice will be given to the representative of the trading participant. As a general rule, the trading participant will be notified of the start date and method, etc. of the inspection approximately four weeks in advance and the names, etc. of the inspection staff will be provided approximately two weeks prior to the start date.

In an inspection, JPX-R will request, in advance, personnel responsible for inspections at the trading participant subject to the inspection to prepare various materials required for the inspection.¹⁴

(4) Inspection method

Inspections are classified into on-site inspections, in which JPX-R staff visit the headquarters and other offices of trading participants, and document-

¹⁴ The formats for materials to be prepared in advance are available from Target. Note that, depending on the features of the trading participant's business and other factors, JPX-R may ask the trading participant to prepare materials in advance in addition to the default format.

based inspections, which are based on submitted documents.

During an on-site inspection, JPX-R will examine various documents including books and records. At the same time, JPX-R will analyze the actual operations of trading participants from multiple perspectives through conversations with their officers and employees and inspect issues in question, etc. in relation to their business operations.

(5) Duration of inspection and number of inspection staff

The duration of an inspection and number of inspection staff will be determined in accordance with the degree of risks and related factors, based on the size of and actual conditions at each trading participant.

(6) Explanation of inspection results, etc.

After an inspection is completed, the representative of the trading participant and personnel responsible for overall internal management, etc. will receive a verbal explanation of the inspection results and the assessment status of internal management systems, etc. The representative of the trading participant will also receive notification of the inspection results.

(7) Actions taken based on inspection results

In order to protect investors and the public interest, if the results of an inspection reveal that a trading participant has violated laws and regulations, TSE or OSE will take disciplinary action¹⁵ against or issue a recommendation to the trading participant; otherwise, JPX-R will issue a cautionary notice to or take other measures¹⁶ against the trading participant as indicated in the chart below.

	Infringement of laws and regulations	Deficiency, etc. in internal management system
Disciplinary	Revocation of trading qualification	Recommendation

¹⁵ “Points of Consideration when Deciding Disciplinary Actions” (July 16, 2013) (<https://www.jp-px.co.jp/english/regulation/maintaining/points-of-note/index.html>)

¹⁶ The decision on the type of disciplinary action, etc. will be based on a comprehensive evaluation of various aspects, including whether or not there has been willful misconduct or gross negligence on the part of the officers or employees of the trading participant, the severity of the infringement, and the status of internal management systems.

action, etc.	Suspension or restriction of trading, etc.	
	Imposition of financial penalty	
	Public censure	
Cautionary notice, etc.	Caution by the Standing Governor in charge	Request
	Caution by the Director of Trading Participants Examination and Inspection Dept.	
	Caution by the inspector	

(8) Opinion sharing and appeals following inspection

Every effort is made to align JPX-R and the trading participant's understanding of conditions by exchanging opinions, etc. following the inspection. In the event of differing opinions, the trading participant may submit an appeal to JPX-R.¹⁷

(9) Improvements made on deficiencies by trading participants

Inspection staff continuously monitors progress on improvements on problems identified by inspections and takes steps to ensure trading participants make improvements. They also provide consultation and other forms of support for improvement as needed.

(10) Feedback survey

JPX-R gathers a wide variety of opinions regarding its inspection activities. It conducts surveys with inspection-related personnel mainly via email following the release of inspection results in order to improve inspection operations.

2. Support for trading participants

By publishing and explaining the focus of inspections, past cases, and other matters in an easy-to-understand manner through its seminars and published materials, JPX-R works to support trading participants in taking the initiative to improve their internal management systems. If anything is unclear or if there are any concerns about day-to-day business operations, please contact JPX-R. For details, please refer to the attached document.

¹⁷ When JPX-R receives an appeal, after considering the content of the appeal, it will hold conversations as needed and make an impartial judgment.

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