

September 25, 2017

TSE Imposes Disciplinary Action against YAMAGEN Securities Co.,Ltd.

Tokyo Stock Exchange, Inc. (hereinafter "TSE") has taken disciplinary action (imposition of a JPY 50 million fine) against YAMAGEN Securities Co.,Ltd. (hereinafter "the Company") pursuant to the provisions of Rule 34, Paragraph 1 of the Trading Participant Regulations and has requested the Company to submit a business improvement report pursuant to the provisions of Rule 19, Paragraph 1 of the same Regulations.

- Background

In July 2015, Japan Exchange Regulation (hereinafter "JPX-R") reported a situation to the Securities and Exchange Surveillance Commission (hereinafter "SESC") based on the results of the market surveillance JPX-R had conducted. Said surveillance revealed that a specific group of customers had been conducting cross trades in concert among themselves at the time of buy order placement, after a buy order, or while a buy order was being placed for a certain stock to raise the stock price.

The SESC deemed that the Company had committed a legal violation (that being a situation in which the Company had accepted orders for securities trading while knowing that such orders would lead to artificial price formation out of line with actual market conditions and in which it was, therefore, deemed that the Company's trading management had not adequately supervised trading to prevent such securities order acceptance that would lead to artificial price formation) based on the results of the investigation by the Kanto Local Finance Bureau. On August 4, 2017, the SESC recommended that the prime minister and the commissioner of the Financial Services Agency impose administrative disciplinary action against the Company. On August 10, 2017, the Kanto Local Finance Bureau imposed said action against the Company.

- Outline of Violation

- (1) Accepting orders for securities trading while knowing that such orders would lead to artificial price formation out of line with actual market conditions

Person A, a commissioned sales rep of the Company, accepted and executed a series of buy orders of a certain listed issue from January 15 to January 29, 2015 while knowing that

(Reference Translation)

multiple customers composing a group intended to raise the stock price by buying the stock, or intentionally influencing the closing price.

The aforementioned acts are deemed to fall under the acts prescribed in Article 117, Paragraph 1, Item 20 of the Cabinet Office Ordinance on Financial Instruments Business pursuant to the provisions of Article 38, Item 8 of the Financial Instruments and Exchange Act.

- (2) Situation in which the Company's trading management is deemed to not have adequately supervised trading to prevent securities order acceptance that can lead to artificial price formation

In order to prevent securities order acceptance that can lead to artificial price formation, a trading participant needs to conduct trading surveillance on trades as a single case if there are multiple suspicious customers involved. However, the Company does not specify how to conduct such trading surveillance. Consequently, it failed to conduct trading surveillance on suspicious customers as one group.

There were some cases where the Company failed to conduct trading surveillance on trades for which the Company detected that it was desirable to do so. In addition, there were some cases where the Company did not take appropriate measures to respond to results from its trading surveillance.

The aforementioned situations are deemed to fall under cases referred to in Article 123, Paragraph 1, Item 12 of the Cabinet Office Ordinance on Financial Instruments Business pursuant to the provisions of Article 40, Item 2 of the Financial Instruments and Exchange Act.

Contact:

Trading Participant Office, Tokyo Stock Exchange, Inc.

Tel: +81-(0)3-3666-0141 (Switchboard)