

**Resolutions of Board of Directors (Resolutions of Self-Regulation Committee) on Provision of Trading Management System at Member Firms to Prevent Unfair Trading by Customers**

Japan Securities Dealers Association

December 6, 2005

**1. Purpose**

These resolutions of the Board of Directors aim to achieve a fair and transparent securities market and also to maintain and enhance investor's confidence in member firms by instituting Company Regulations and setting down other necessary measures when member firms provide a trading management system (referred to henceforth as "a trading management system in listed stocks, etc.") to prevent customers from engaging in unfair trading in listed stocks, etc. (referring to listed stocks, etc., as set down in Article 2 (i) of Fair Practices Regulation No. 5, "Regulations on Trading in Listed Stocks, etc., outside Stock Exchange Securities Market." The same applies henceforth.).

**2. Providing Trading Management System in Listed Stocks, etc.**

Member firms shall provide a trading management system in listed stocks, etc., by implementing the following measures:

**(1) Instituting Company Regulations**

Member firms shall set down Company Regulations on the trading management of listed stocks, etc., specifying the following particulars:

- (i) Particulars pertaining to the division responsible for trading management and its authorities and responsibilities
- (ii) Particulars pertaining to the accurate identification of the trading trends of customers and reasons for trading, etc.
- (iii) Particulars pertaining to information that should be referenced when engaging in trading management operations
- (iv) Particulars pertaining to the sampling of customers subject to trade screening
- (v) Particulars pertaining to trade screening performed in relation to customers
- (vi) Particulars pertaining to measures based on the results of trade screening
- (vii) Other matters deemed necessary

**(2) Accurately Identifying Customer's Trading Trends and Reasons for Trading, etc.**

Member firms shall, in accordance with the Company Regulations set down in (1) above, strive to accurately identify customer's trading trends and reasons for trading by monitoring (meaning investigating matters such as the customer's trading instruments, trading techniques, patterns of trading, investment intentions, and investment experience) in a timely manner.

**(3) Screening Trades**

Member firms shall, in accordance with the Company Regulations set down in (1) above, screen trades in accordance with the provisions set down in (i) through (iv) below:

