

2 October 2020 (No. of pages: 1)

Japanese report: 29 Sep 2020

Review of Pre-Knowledge Contracts or Schemes, and Stock Ownership Associations

Exemption from Insider Trading Regulations

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Summary

- On September 18, 2020, amendments to the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act, and the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. were announced. This is to review (relax) the scope of Pre-Knowledge Contracts and Schemes and Officers and Employee Stock Ownership Associations that are permitted to be exempted from the Insider Trading Regulations. It will come into effect as of January 1, 2021.
- Sales and purchase of certain contracts and schemes (so-called Pre-Knowledge Contracts and Schemes) that are concluded and decided prior to knowledge of material facts are excluded from application of Insider Trading Regulations. Pre-knowledge contracts and schemes need to be prepared in writing. In this review, the preparation of electromagnetic records, etc. is also permitted based on the progress of information and communication technology, etc.
- Purchase of a fixed amount on a regular basis through the Officers and Employee Stock Ownership Associations is excluded from application of the Insider Trading Regulation. One requirement for exemption is that the eligibility for membership in the Officers and Employee Stock Ownership Association is limited to officers and employees of the issuing company and its subsidiaries. In this review, the definition of "subsidiary" will be changed from the formal standard prior to the revision (more than 50% of voting rights held) to the substantial control standard.

Attention

This report is a summary translation. The official document is only in Japanese.