

Japan's insider-trading regulations and disclosure regime likely to be revised in 2026

Sadakazu Osaki
10 March 2026

lakyara vol.411

Executive Summary



Sadakazu Osaki

Chief Researcher
Center for Strategic Management
& Innovation

Several of the Financial System Council's working groups released reports in December, likely setting the stage for the Financial Instruments and Exchange Act (FIEA) to be amended in 2026. Prospective reforms include transferring cryptoasset regulation to the FIEA's purview, broadening insider-trading regulations' applicability, streamlining information disclosure requirements and granting safe-harbor protection against liability for certain nonfinancial misrepresentations.

.....

Spate of reports from Financial System Council working groups

The Financial Instruments and Exchange Act (FIEA), the foundational law of securities market regulation in Japan, has frequently been amended against a backdrop of FinTech advancements and rapid change in the market environment. Last December, several working groups formed by the FSA's Financial System Council issued reports. Three of them proposed regulatory reforms that would entail amending the FIEA, potentially setting the stage for a major update to the FIEA this year.

First, the Cryptoasset Working Group recommended that regulation of cryptoassets such as Bitcoin be transferred from the Payment Services Act's purview to the FIEA's purview.

Second, the Working Group on Capital Market Regulations has been working on tightening restrictions against abusive trading in response to a series of such incidents in recent years. Its report proposed various reforms, including changes to insider-trading regulations, harsher fines for misconduct and expansion of the Securities and Exchange Surveillance Commission's investigative authority.

Third, the Disclosure Working Group has recently been focusing on two objectives: facilitating availability of funding for startups and clarifying limits on liability for misrepresentations in the context of sustainability information disclosures that have been mandated in recent years. Following on the heels of the Disclosure Working Group's report, the Working Group on Sustainability Information and Assurance

issued its own report on sustainability information disclosure in January.

Tighter restrictions on abusive trading

The FIEA contains detailed provisions on who is subject to insider-trading regulations and the conditions under which receipt of information subjects the recipient to the regulations' provisions. While such granularity has merit in terms of clarifying prohibited acts, it can sometimes lead to irrational outcomes.

For example, if Company A is planning to launch a takeover bid for Company B, a purchaser of Company B's stock who obtained nonpublic information about the forthcoming bid from Company A's advisor would be committing illegal insider trading whereas a purchaser who obtained the same information from Company B's advisor would not be subject to the insider trading regulations. Given that nearly all takeover bids in Japanese markets are friendly acquisitions to which the target company has already consented, a target company's advisors are highly likely to have advance knowledge of the pending takeover bid. The insider-trading regulations' disparate treatment of takeover bidders and target companies' respective advisors is therefore hard to justify. The Working Group on Capital Market Regulations' report accordingly recommends extending the insider-trading regulations' purview to include traders who received nonpublic information about a takeover bid from an advisor of the target company.

The report also proposed revising the calculation formula for fines assessed in response to violations such as insider trading by parties connected with pending takeover bids, market manipulation by means of high-frequency trading, and noncompliance with large shareholding reporting requirements or misrepresentation of the information reported. The new formula would increase fines across the board. Additionally, the report proposed increasing fines against parties who engage in abusive trading via an account titled in another's name, newly imposing fines against parties who allow their account to be used for abusive trading by others, and expanding the Securities and Exchange Surveillance Commission's investigative authority.

Proposed disclosure changes

The Disclosure Working Group has been working on disclosure reforms intended to advance the two aforementioned objectives. To facilitate availability of funding for startups, it proposed raising the cap on securities offerings exempt from Securities Registration Statement filing requirements from ¥100mn to ¥500mn while also simplifying required disclosures for offerings of less than ¥1bn. Startups are already permitted to raise up to ¥500mn through crowdfunding but no company to date has used crowdfunding to raise more than ¥100mn because the current Securities Registration Statement filing requirement is seen as prohibitively onerous within the startup community. This situation may change if the FIEA is amended as recommended by the Disclosure Working Group.

The FIEA defines “Professional Investors” as investors commonly regarded as investment professionals. Restrictions on investment solicitations by securities broker/dealers are more lenient when the solicitee is a Professional Investor. However, the Professional Investor population has not been growing much, largely because investors that meet the statutory criteria are required to submit an application to be officially designated as Professional. In response, the Disclosure Working Group’s report proposed that broker/dealers be permitted to offer Professional-Investor products to investors who meet the statutory criteria but have not applied for the official designation.

To clarify limits on liability for misrepresentations, the Disclosure Working Group has been working toward adoption of a safe harbor rule that would exempt Securities Report filers from liability for misrepresentations that meet certain criteria. In recent years, publicly traded companies have been increasingly called upon to disclose nonfinancial information, including sustainability information deemed important from an ESG standpoint. The Securities Report form was revised in January 2023 to add a new section on sustainability policies and initiatives.

However, nonfinancial information, particularly sustainability information, often consists largely of qualitative information, estimates, projections and other forward-looking statements. As such, it is subject to a higher degree of uncertainty than financial information. Companies consequently tend to be reticent in their nonfinancial information disclosures out of fear of being held liable for misrepresentation due to subsequent outcomes. In response, the

Disclosure Working Group's report recommended establishing a safe-harbor rule covering forward-looking statements within nonfinancial information. Under the proposed rule, such forward-looking statements would not trigger liability for misrepresentation if they "can be deemed reasonable."

A sustainability information disclosure requirement is slated to be phased in from next fiscal year. TSE Prime Market listees with a market capitalization in excess of ¥500bn will be required to start disclosing sustainability information in their Securities Reports in compliance with disclosure standards set by the Sustainability Standards Board of Japan. In preparation for this new disclosure requirement, the Working Group on Sustainability Information and Assurance's January 2026 report proposed establishing a registration system for sustainability information assurance service providers not limited to independent auditors of financial statements.

The Financial System Council working groups' proposed reforms are a mix of deregulation and regulatory tightening, the latter of which pertains to abusive trading. If enacted, the reforms should contribute to Japanese markets' further development and burnish their credibility.

about NRI

Founded in 1965, Nomura Research Institute (NRI) is a leading global provider of system solutions and consulting services with annual sales above \$5.1 billion. NRI offers clients holistic support of all aspects of operations from back- to front-office, with NRI's research expertise and innovative solutions as well as understanding of operational challenges faced by financial services firms. The clients include broker-dealers, asset managers, banks and insurance providers. NRI has its offices globally including Tokyo, New York, London, Beijing and Sydney, with over 16,700 employees.

For more information, visit <https://www.nri.com/en>

.....

The entire content of this report is subject to copyright with all rights reserved.
The report is provided solely for informational purposes for our UK and USA readers and is not to be construed as providing advice, recommendations, endorsements, representations or warranties of any kind whatsoever.
Whilst every effort has been taken to ensure the accuracy of the information, NRI shall have no liability for any loss or damage arising directly or indirectly from the use of the information contained in this report.
Reproduction in whole or in part use for any public purpose is permitted only with the prior written approval of Nomura Research Institute, Ltd.

Inquiries to : Financial Market & Innovation Research Department
Nomura Research Institute, Ltd.
Otemachi Financial City Grand Cube,
1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
E-mail : kyara@nri.co.jp

<https://www.nri.com/en/knowledge/publication/list.html#lakyara>

.....