

Securities Analysts Journal®

February 2017.Vol. 55 No.2

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This month's focus: **“Discussion of Fair Disclosure Rule in Japan”**

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The Task Force set up under the Financial System Council has published its Fair Disclosure Rule report, the content of which will be implemented in the future. The new rule will prevent officers/staff of issuers who communicate with market professionals from selectively disclosing material non-public information affecting the investment decisions of investors. A similar rule has been implemented in the US and European markets. Nevertheless, the measure may have a chilling effect on listed companies providing corporate information to investors.

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The regulation of analysts enforced in September 2016 by the Japan Securities Dealers Association and the Fair Disclosure Rule currently being considered by the Financial System Council of the Financial Services Agency are expected to have a significant impact on the future activities of analysts. In essence, they rather seem to broaden the social role of analysts than have any negative implications.

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<p>Bond funds are homogeneous; that is, the main source of their excess returns is the credit factor. Meanwhile the carry roll-down factor, which is based on under- and overvaluation in the yield curve, is not utilized. Investing in the carry roll-down factor enables an improvement in fund performance because it has a high premium and a low correlation with credit and the stock market. The result of this study indicates the importance of controlling factor exposures.</p>	
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