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Title	<i>2ND LD: Japan set to allow banks into securities business.</i>

Japan is set to allow banks into the securities business following a recommendation Wednesday by a government panel that banks and other financial institutions be allowed to act as sales agents for brokerage houses.

The proposal, which would enable individual investors to buy stocks at bank outlets, is intended to spur Japan's securities market.

The Financial System Council, an advisory panel to the prime minister, made the recommendation in a report submitted to Financial Services Minister Heizo Takenaka on ways to reform the nation's financial system with an eye to expanding individual investing in the stock market.

The idea is designed to promote tie-ups between banks and securities houses in Japan, where many people prefer to deposit money with banks instead of making risky but higher-return investments, panel members said.

Shigemitsu Miki, chairman of the Japanese Bankers Association, welcomed the proposal, saying it will help revitalize the financial market.

"It has a special significance in that banks and securities houses will work together to expand the scope for individual investors," Miki, who is also president of the Bank of Tokyo-Mitsubishi, told reporters.

The council urged the Financial Services Agency (FSA) to submit a bill to amend the Securities and Exchange Law to the ordinary Diet session to convene in January.

The revision would involve Article 65, which prohibits banks from conducting securities business and brokerages from banking.

Foreign business lobbies have demanded Japan scrap the article to allow full liberalization of its financial markets. The European Business Community in Japan said in November that such regulations impose "artificial barriers between banks and securities firms."

Takenaka indicated the FSA expects the amendment to come into force by the end of March 2005.

"With the report, we'll consider what steps the administration can take to give investors easier access (to various financial instruments) and create an open environment for investing," Takenaka told reporters.

"We will move in line with the basic direction in which a more open, freer competition environment and better consumer convenience are ensured," he said.

Along with lifting a ban on securities brokering by banks, the report also calls for a stricter system to fine market participants engaged in illegal transactions, such as insider trading and spreading false rumors.

The move is intended to improve investor confidence in the securities market.

So far, the FSA has imposed limited penalties on players who conduct illicit deals. Punishments have included suspension of operations.

Moreover, the council proposed granting the Securities and Exchange Surveillance Commission the sole power to inspect securities houses.

Currently, several institutions such as the commission, the FSA, the Tokyo Stock Exchange and other Japanese bourses are involved in brokerage inspections, complicating the process.

The council also called for strengthening the monitoring of market transactions and improving the information disclosure system to protect investor interests.

It proposed that the central and local governments and securities-related organizations create a system to teach schoolchildren and adults about investment.

They should make full use of resources and know-how from investment training programs undertaken by securities houses, securities-related bodies and non-profit organizations, it said.