

Payment Services Act

(Act No. 59 of June 24, 2009)

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Chapter I General Provisions

(Purpose)

Article 1 The purpose of this Act is to enforce registration and other necessary measures with respect to the issuance of Prepaid Payment Instruments, exchange transactions carried out by persons other than Deposit-taking Institutions, and the clearing of exchange transactions between Deposit-taking

Institutions, in order to ensure the proper provision and conducting of payment services, and protection of the users, etc. thereof, and to promote the provision of said services, thereby contributing to the improvement of the safety, efficiency, and convenience of the payment and settlement system.

(Definitions)

- Article 2 (1) The term "Issuer of Prepaid Payment Instruments" as used in this Act means an Issuer of Prepaid Payment Instruments for Own Business as prescribed in Article 3 (6) and an Issuer of Prepaid Payment Instruments for Third-Party Business as prescribed in Article 3 (7).
- (2) The term "Funds Transfer Service" as used in this Act means exchange transactions (limited to those specified by Cabinet Order as small sum transactions) carried out by persons other than Banks, etc. in the course of trade.
- (3) The term "Funds Transfer Service Provider" as used in this Act means a person registered under Article 37.
- (4) The term "Foreign Funds Transfer Service Provider" as used in this Act means a person who carries out exchange transactions in the course of trade in a foreign state under registration which is the same as the registration under Article 37 pursuant to the provisions of laws and regulations of said foreign state equivalent to this Act (including permission or other administrative dispositions similar to said registration).
- (5) The term "Clearing Services for Interbank Funds Transfer" as used in this Act means acts of bearing obligations under exchange transactions arising between Banks, etc. in the course of trade by way of the assumption of an obligation, novation or otherwise for the purpose of clearing claims and debts relating to the exchange transactions.
- (6) The term "Clearing Institution for Interbank Funds Transfer" as used in this Act means a person who has obtained the license under Article 64 (1).
- (7) The term "Certified Association for Payment Service Providers" as used in this Act means a general incorporated association that has been granted the certification under Article 87.
- (8) The term "Designated Dispute Resolution Organization" as used in this Act means a person who has been designated as such under Article 99 (1).
- (9) The term "Trust Company, etc." as used in this Act means a trust company or a foreign trust company that has obtained the license under Article 3 or Article 53 (1) of the Trust Business Act (Act No. 154 of 2004) or a financial institution that has obtained the authorization under Article 1 (1) of the Act on Concurrent Operation of Trust Business by a Financial Institution (Act No. 43 of 1943).
- (10) The term "Banks, etc." as used in this Act means any of the following

persons:

- (i) A bank prescribed in Article 2 (1) of the Banking Act (Act No. 59 of 1981);
 - (ii) A long-term credit bank prescribed in Article 2 of the Long-term Credit Bank Act (Act No. 187 of 1952);
 - (iii) A shinkin bank;
 - (iv) A federation of shinkin banks;
 - (v) A labor bank;
 - (vi) A federation of labor banks;
 - (vii) A credit cooperative;
 - (viii) A federation of credit cooperatives that engages in the business set forth in Article 9-9 (1) (i) of the Small and Medium Sized Enterprises, etc. Cooperatives Act (Act No. 181 of 1949);
 - (ix) An agricultural cooperative that engages in the business set forth in Article 10 (1) (iii) of the Agricultural Cooperatives Act (Act No. 132 of 1947);
 - (x) A federation of agricultural cooperatives that engages in the business set forth in Article 10 (1) (iii) of the Agricultural Cooperatives Act;
 - (xi) A fisheries cooperative that engages in the business set forth in Article 11 (1) (iv) of the Fisheries Cooperatives Act (Act No. 242 of 1948);
 - (xii) A federation of fisheries cooperatives that engages in the business set forth in Article 87 (1) (iv) of the Fisheries Cooperatives Act;
 - (xiii) A fishery processing cooperative that engages in the business set forth in Article 93 (1) (ii) of the Fisheries Cooperatives Act;
 - (xiv) A federation of fishery processing cooperatives that engages in the business set forth in Article 97 (1) (ii) of the Fisheries Cooperatives Act;
 - (xv) The Norinchukin Bank; and
 - (xvi) The Shoko Chukin Bank Limited.
- (11) The term "Petition for Commencement of Bankruptcy Proceedings, etc." as used in this Act means a petition for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings or special liquidation, or a petition for recognition of foreign insolvency proceedings (including filing of a petition equivalent thereto under laws and regulations of a foreign state).
- (12) The term "Banking Act, etc." as used in this Act means any of the following: the Banking Act, the Long-term Credit Bank Act, the Shinkin Bank Act (Act No. 238 of 1951), the Labor Bank Act (Act No. 227 of 1953), the Small and Medium Sized Enterprises, etc. Cooperatives Act, the Act on Financial Businesses by Cooperative (Act No. 183 of 1949), the Agricultural Cooperatives Act, the Fisheries Cooperatives Act, the Norinchukin Bank Act (Act No. 93 of 2001) and the Shoko Chukin Bank Limited Act (Act No. 74 of 2007).

Chapter II Prepaid Payment Instruments

Section 1 General Provisions

(Definitions)

Article 3 (1) The term "Prepaid Payment Instruments" as used in this Chapter means any of the following:

- (i) Certificates, electronic devices, or other items (hereinafter referred to as "Certificates, etc." in this Chapter) or numbers, markings, or other signs (including additions to the amount recorded in the Certificate, etc. by electromagnetic means in exchange for the receipt of consideration corresponding to the additional amount recorded) issued in exchange for the receipt of consideration corresponding to the amount (in cases where such amount is found to be each time converted to and indicated as a number in another unit, including a number in said unit; the same shall apply hereinafter in this item and in paragraph (3)) recorded in the Certificate, etc. or recorded using electromagnetic means (meaning in electronic form, magnetic form, or any other form that is impossible to perceive through the human senses alone; the same shall apply hereinafter in this paragraph) which can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services from the issuer or the person designated by the issuer (referred to as the "Issuer, etc." in the following item) by way of presentation, delivery, notification, or other methods.
 - (ii) Certificates, etc. or numbers, markings, or other signs issued in exchange for the receipt of consideration corresponding to the quantity of goods or services recorded in the Certificate, etc. or recorded using electromagnetic means (including additions to the quantity of goods or services recorded in the Certificate, etc. by electromagnetic means in exchange for the receipt of consideration corresponding to the additional quantity recorded) which can be used for the purpose of claiming the delivery or provision of said goods or services from the Issuer, etc. by way of presentation, delivery, notification, or other methods.
- (2) The term "Unused Base Date Balance" as used in this Chapter means the amount calculated in accordance with a method specified by Cabinet Office Ordinance as the total of the unused balances arising from all the Prepaid Payment Instruments issued by an issuer thereof by March 31 and September 30 (hereinafter referred to as "Base Date" in this Chapter) every year and outstanding as of the respective Base Date (meaning the amount prescribed in each of the following items for the category of Prepaid Payment Instruments specified therein):
- (i) Prepaid Payment Instruments prescribed in item (i) of the preceding paragraph: The amount that can be used for the payment of consideration as of said Base Date; and

- (ii) Prepaid Payment Instruments prescribed in item (ii) of the preceding paragraph: The monetary amount converted from the quantity of goods or services that can be claimed as of said Base Date in accordance with a method specified by Cabinet Office Ordinance.
- (3) The term "Amount Available for Payment, etc." as used in this Chapter means the amount that can be used for the payment of consideration at issuance of the Prepaid Payment Instruments prescribed in paragraph (1) (i) or the quantity of goods or services that can be claimed at issuance of the Prepaid Payment Instruments prescribed in paragraph (1) (ii).
- (4) The term "Prepaid Payment Instruments for Own Business" as used in this Chapter means Prepaid Payment Instruments that can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services only from the issuer of Prepaid Payment Instruments (including persons who have a close relationship specified by Cabinet Office Ordinance with said issuer (hereinafter referred to as "Closely Related Persons" in item (v) of the following Article and Article 32); the same shall apply in this paragraph) or those Prepaid Payment Instruments that can be used for the purpose of claiming the delivery or provision of said goods or services only from the issuer of Prepaid Payment Instruments.
- (5) The term "Prepaid Payment Instruments for Third-Party Business" as used in this Chapter means Prepaid Payment Instruments other than Prepaid Payment Instruments for Own Business.
- (6) The term "Issuer of Prepaid Payment Instruments for Own Business" as used in this Chapter means a person who has submitted the written notice prescribed in Article 5 (1) (excluding those who have submitted a written notice of discontinuation of the entire issuance business pursuant to the provisions of Article 33 (1) and have completed the refund prescribed in Article 20 (1)).
- (7) The term "Issuer of Prepaid Payment Instruments for Third-Party Business" as used in this Chapter means a corporation registered under Article 7.
- (8) The term "Record Period" as used in this Chapter means a period from and including the day immediately following a Base Date to and including the following Base Date.

(Exclusion from Application)

Article 4 The provisions of this Chapter shall not apply to the following Prepaid Payment Instruments:

- (i) Passenger tickets, admission tickets, and other tickets specified by Cabinet Order as being equivalent thereto;
- (ii) Prepaid Payment Instruments that can be used only during a certain period specified by Cabinet Order from the date of issuance;

- (iii) Prepaid Payment Instruments issued by the State or local public entities (hereinafter referred to as "the State, etc." in the following item);
- (iv) Prepaid Payment Instruments issued by corporations specified by Cabinet Order as being equivalent to the State, etc., including corporations directly established pursuant to an Act, corporations established by a special act of incorporation pursuant to a special Act, or corporations established by a local public entity pursuant to a special Act that are wholly owned by the State, etc.;
- (v) Prepaid Payment Instruments for Own Business issued only to the employees of the issuer (including Closely Related Persons) (limited to those designed to be used only by said employees) and other Prepaid Payment Instruments specified by Cabinet Order as being equivalent thereto;
- (vi) Prepaid Payment Instruments specified by Cabinet Order as being those pertaining to transactions that are subject to measures to protect advances pursuant to the provisions of the Installment Sales Act (Act No. 159 of 1961) and other Acts; and
- (vii) Prepaid Payment Instruments that are designed to be used only in a transaction that constitutes a commercial transaction for the users of the Prepaid Payment Instruments.

Section 2 Issuer of Prepaid Payment Instruments for Own Business

(Notification of Issuer of Prepaid Payment Instruments for Own Business)

- Article 5 (1) A corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated) or an individual who issues Prepaid Payment Instruments all of which are Prepaid Payment Instruments for Own Business shall, pursuant to the Cabinet Office Ordinance provisions, submit a written notice containing the following particulars to the Prime Minister when the Unused Base Date Balance of its Prepaid Payment Instruments for Own Business as of a Base Date has exceeded the standard amount (meaning the standard amount prescribed in Article 14 (1)) for the first time since the commencement of the issuance of Prepaid Payment Instruments for Own Business. The same shall apply to cases in which such corporation restarted the issuance of Prepaid Payment Instruments for Own Business after discontinuing the whole of the business of issuing Prepaid Payment Instruments for Own Business:
- (i) Name, trade name or other name and address;
 - (ii) In the case of a corporation, the amount of capital or contribution;
 - (iii) Name and location of the business office or office pertaining to the business of issuing Prepaid Payment Instruments;
 - (iv) In the case of a corporation (including an association or foundation without

- juridical personality for which the representative person or administrator has been designated), name of the representative person or administrator;
- (v) Unused Base Date Balance as of the relevant Base Date;
 - (vi) The type, the name, and the Amount Available for Payment, etc. of the Prepaid Payment Instruments;
 - (vii) In cases where the Prepaid Payment Instruments have a specified period or expiration date during or by which they can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services or for the purpose of claiming the delivery or provision of said goods or services, said period or expiration date;
 - (viii) Content and methods of the business of issuing Prepaid Payment Instruments;
 - (ix) Location and contact address of the business office or office that handles complaints or inquiries from the users about the issuance and use of Prepaid Payment Instruments; and
 - (x) Other particulars specified by Cabinet Office Ordinance.
- (2) Documents concerning finance and other documents specified by Cabinet Office Ordinance must be attached to the written notice under the preceding paragraph.
- (3) When there has been a change in any of the particulars set forth in the items of paragraph (1) (excluding item (v)), the Issuer of Prepaid Payment Instruments for Own Business must notify the Prime Minister to that effect without delay.

(Register of Issuers of Prepaid Payment Instruments for Own Business)

Article 6 The Prime Minister must create a register of Issuers of Prepaid Payment Instruments for Own Business and make it available for public inspection.

Section 3 Issuer of Prepaid Payment Instruments for Third-Party Business

(Registration of Issuer of Prepaid Payment Instruments for Third-Party Business)

Article 7 No person may engage in the business of issuing Prepaid Payment Instruments for Third-Party Business unless the person is a corporation who is registered with the Prime Minister.

(Application for Registration)

Article 8 (1) A person who intends to obtain registration under the preceding Article must, pursuant to the Cabinet Office Ordinance provisions, submit a

written application for registration containing the following particulars to the Prime Minister:

- (i) Trade name or other name, and address;
 - (ii) The amount of capital or contribution;
 - (iii) Name and location of the business office or office pertaining to the business of issuing Prepaid Payment Instruments;
 - (iv) Names of officers;
 - (v) The type, the name, and the Amount Available for Payment, etc. of the Prepaid Payment Instruments;
 - (vi) In cases where the Prepaid Payment Instruments have a specified period or expiration date during or by which they can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services or for the purpose of claiming the delivery or provision of said goods or services, said period or expiration date;
 - (vii) Content and methods of the business of issuing Prepaid Payment Instruments;
 - (viii) Location and contact address of the business office or office that handles complaints or inquiries from the users about the issuance and use of Prepaid Payment Instruments; and
 - (ix) Other particulars specified by Cabinet Office Ordinance.
- (2) A written statement that the applicant does not fall under any of the items of Article 10 (1), documents concerning finance, and other documents specified by Cabinet Office Ordinance must be attached to the application for registration under the preceding paragraph.

(Registry of Issuers of Prepaid Payment Instruments for Third-Party Business)

Article 9 (1) The Prime Minister must, when an application for registration was made under Article 7, register the following particulars to the registry of Issuers of Prepaid Payment Instruments for Third-Party Business, except when the Prime Minister refuses such registration pursuant to the provisions of paragraph (1) of the following Article:

- (i) Particulars listed in the items of paragraph (1) of the preceding Article; and
 - (ii) Date of registration and registration number.
- (2) When the Prime Minister has made registration under the provisions of the preceding paragraph, the Prime Minister must notify the applicant to that effect without delay.
- (3) The Prime Minister must make the registry of Issuers of Prepaid Payment Instruments for Third-Party Business available for public inspection.

(Refusal of Registration)

Article 10 (1) The Prime Minister must refuse registration when an applicant

falls under any of the following items, or a written application for registration or documents attached thereto contains a false statement about important particulars, or lacks a statement about important particulars:

- (i) A person other than a corporation (including a corporation established under the laws and regulations of a foreign state who does not have a business office or office in Japan);
- (ii) A corporation who does not fall under any of the following:
 - (a) A corporation whose amount of net assets exceeds the amount of money specified by Cabinet Order as necessary and appropriate in light of the geographical scope within which the Prepaid Payment Instruments issued by the corporation can be used and other circumstances; or
 - (b) A not-for-profit corporation specified by Cabinet Order;
- (iii) A corporation who has not taken necessary measures for ensuring that goods or services that one can purchase or lease or of which one can receive the delivery or provision of by using Prepaid Payment Instruments, will not be dangerous to or pose any risk of being dangerous to public order or morals;
- (iv) A corporation which has not established a system that is necessary for making payments to member shops (meaning a seller or lessor of goods that one can purchase or lease or of which one can receive the delivery by using Prepaid Payment Instruments or a provider of services of which one can receive the provision by using Prepaid Payment Instruments; the same shall apply in Article 32) appropriately;
- (v) A corporation which has not established a system that is necessary for ensuring compliance with the provisions of this Chapter;
- (vi) A corporation which intends to use a trade name or other name that is identical to the one currently used by another Issuer of Prepaid Payment Instruments for Third-Party Business or that may be misidentified as another Issuer of Prepaid Payment Instruments for Third-Party Business;
- (vii) A corporation who had its registration under Article 7 rescinded pursuant to the provisions of Article 27 (1) or (2) and for whom three years have not passed since the date of the rescission, or a corporation who had obtained registration of the same kind in a foreign state under the provisions of laws and regulations of said foreign state equivalent to this Act (limited to the provisions of this Chapter and the provisions of Chapter VIII that are related thereto; hereinafter the same shall apply in this paragraph) and had the registration (including permission or other administrative dispositions similar to said registration; the same shall apply in item (ix) (e)) rescinded, and for whom three years have not passed since the date of the rescission;
- (viii) A corporation who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this; the same

shall apply in (d) of the following item) pursuant to the provisions of this Act or laws and regulations of a foreign state equivalent to this Act, and for whom three years have not passed since the day when the execution of the punishment terminated or the corporation became free from the execution of the punishment;

- (ix) A corporation whose officers include a person who falls under any of the following items;
 - (a) A person who is an adult ward or a person under curatorship, or a person equivalent thereto under laws and regulations of a foreign state;
 - (b) A person who has not had rights restored after receiving a ruling of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
 - (c) A person who has received punishment that is heavier than imprisonment without labor (including an equivalent punishment under laws and regulations of a foreign state), and for whom three years have not passed since either execution of the sentence or the cessation of being subject to its execution;
 - (d) A person who has been punished by a fine pursuant to the provisions of this Act or laws and regulations of a foreign state equivalent to this Act, and for whom three years have not passed since the day when the execution of the punishment terminated or the person became free from the execution of the punishment;
 - (e) In cases where an Issuer of Prepaid Payment Instruments for Third-Party Business had its registration under Article 7 rescinded pursuant to the provisions of Article 27 (1) or (2) or a corporation had its registration of the same kind rescinded that had been granted in a foreign state pursuant to the provisions of laws and regulations of said foreign state equivalent to this Act, a person who had been an officer of such corporation at any time during the thirty days prior to the date of the rescission and for whom three years have not passed since that date or a person specified by Cabinet Order as similar thereto.
- (2) When the Prime Minister has refused the registration pursuant to the provisions of the preceding paragraph, the Prime Minister must notify the applicant to that effect by indicating the reason therefor without delay.

(Notification of Changes)

- Article 11 (1) When there has been a change in any of the particulars set forth in the items of Article 8 (1), the Issuer of Prepaid Payment Instruments for Third-Party Business must notify the Prime Minister to that effect without delay.
- (2) When the Prime Minister accepts a notification under the preceding paragraph, the Prime Minister must register the notified particulars in the

resister of Issuers of Prepaid Payment Instruments for Third-Party Business.

(Prohibition of Name Lending)

Article 12 An Issuer of Prepaid Payment Instruments for Third-Party Business must not have another person engage in the business of issuing Prepaid Payment Instruments for Third-Party Business in the name of the Issuer of Prepaid Payment Instruments for Third-Party Business.

Section 4 Indication, Making of Security Deposits for Issuance, and Other Obligations

(Indication or Provision of Information)

Article 13 (1) When issuing Prepaid Payment Instruments (excluding cases where no Certificates, etc. pertaining to said Prepaid Payment Instruments or documents or other materials that are integral part of said Prepaid Payment Instruments are delivered to the user), an Issuer of Prepaid Payment Instruments must, pursuant to the Cabinet Office Ordinance provisions, indicate the following particulars on the Prepaid Payment Instruments to be issued (including documents or other materials that are integral part of said Prepaid Payment Instruments):

(i) Name, trade name or other name;

(ii) Amount Available for Payment, etc. of the Prepaid Payment Instruments;

(iii) In cases where the Prepaid Payment Instruments have a specified period or expiration date during or by which they can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services or for the purpose of claiming the delivery or provision of said goods or services, said period or expiration date;

(iv) Location and contact address of the business office or office that handles complaints or inquiries from the users about the issuance and use of Prepaid Payment Instruments; and

(v) Other particulars specified by Cabinet Office Ordinance.

(2) When issuing Prepaid Payment Instruments (limited to cases where no Certificates, etc. pertaining to said Prepaid Payment Instruments or documents or other materials that are an integral part of said Prepaid Payment Instruments are delivered to the user), an Issuer of Prepaid Payment Instruments must, by the method specified by Cabinet Office Ordinance, provide the user with information about the particulars listed in the items of the preceding paragraph.

(3) In the case referred to in paragraph (1), in cases where the Certified Association for Payment Service Providers of which the Issuer of Prepaid Payment Instruments is a member makes public to the users of Prepaid

Payment Instruments the particulars listed in items (iv) and (v) of said paragraph pertaining to said Issuer of Prepaid Payment Instruments or in other cases specified by Cabinet Office Ordinance, the Issuer of Prepaid Payment Instruments may choose not to indicate said particulars.

(Making of Security Deposits for Issuance)

Article 14 (1) When the Unused Base Date Balance exceeds the amount specified by Cabinet Order (hereinafter referred to as the "Standard Amount" in this Chapter), an Issuer of Prepaid Payment Instruments must, pursuant to the provisions of Cabinet Office Ordinance, make a security deposit for issuance to the official depository nearest to its principal business office or office in an amount equivalent to not less than half the amount of said Unused Base Date Balance (hereinafter referred to as the "Required Amount of Deposit" in this Chapter).

(2) When, due to completion of the procedure for the execution of the right set forth in Article 31 (1) or the occurrence of other facts, the amount of a security deposit for issuance (including the total amount of the secured amount prescribed in the following Article and the amount of trust property prescribed in Article 16 (1); the same shall apply in Article 18 (ii) and Article 23 (1) (iii)) becomes short of the Required Amount of Deposit as of the Base Date immediately preceding the day on which such fact occurred (or the amount calculated as if the Prepaid Payment Instruments pertaining to said procedures did not exist in accordance with the method specified by Cabinet Office Ordinance as of the Base Date immediately preceding the day on which the refund procedure prescribed in Article 20 (1) or the procedure for the execution of the right set forth in Article 31 (1) was completed), an Issuer of Prepaid Payment Instruments must, pursuant to Cabinet Office Ordinance provisions, deposit the shortfall and notify the Prime Minister to that effect without delay.

(3) National government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Ordinance (including transfer bonds prescribed in Article 278 (1) of the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001); the same shall apply in Article 16 (3)) may be deposited to fulfill the security deposit for issuance requirement. In this case, the appraised value of such bond certificates shall be determined pursuant to Cabinet Office Ordinance the provisions.

(Guarantee Contract of Security Deposit for Issuance)

Article 15 When an Issuer of Prepaid Payment Instruments has concluded a guarantee contract of security deposit for issuance (meaning a contract in which a Deposit-taking Institution satisfying the requirements specified by

Cabinet Order or any other person specified by Cabinet Order promises that a security deposit for issuance will be made on behalf of the Issuer of Prepaid Payment Instruments in response to the order of the Prime Minister; the same shall apply in this Chapter) and has notified the Prime Minister to that effect, pursuant to the provisions of a Cabinet Order, it may choose not to deposit all or part of the security deposit for issuance with regard to the secured amount (meaning the amount of money to be deposited under said guarantee contract of security deposit for issuance; the same shall apply in Article 17) limited to the period during which said contract remains in force.

(Trust Contract of Security Deposit for Issuance)

Article 16 (1) When an Issuer of Prepaid Payment Instruments has concluded with a Trust Company, etc. a trust contract of security deposit for issuance (meaning a trust contract the purpose of which is to apply the trust property to assign a security deposit for issuance in response to the order of the Prime Minister and the provisions of which prescribe that said Trust Company, etc. shall carry out necessary acts including the management of said trust property for the achievement of said trust purpose; the same shall apply hereinafter in this Chapter) and has obtained the relevant approval of the Prime Minister, it may choose not to deposit all or part of the security deposit for issuance with regard to the amount of the trust property under said trust contract limited to the period during which such trust property remains in existence pursuant to said trust contract.

(2) A trust contract of a security deposit for issuance must prescribe the following particulars:

(i) The beneficiaries of the trust contract of security deposit for issuance shall be the holders of Prepaid Payment Instruments issued by the Issuer of Prepaid Payment Instruments who is the party to said trust contract of security deposit for issuance;

(ii) An agent of the beneficiaries shall be appointed;

(iii) A Trust Company, etc. shall realize the trust property and deposit the proceeds thereof in response to the order of the Prime Minister; and

(iv) Other particulars specified by Cabinet Office Ordinance.

(3) The type of trust property entrusted pursuant to a trust contract of security deposit for issuance shall be limited to money, bank deposits and savings (limited to those specified by Cabinet Office Ordinance), or national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Ordinance. In this case, the appraised value of such bond certificates shall be determined pursuant to Cabinet Office Ordinance the provisions.

(Deposit Order)

Article 17 When the Prime Minister finds it necessary for the protection of the interests of users of Prepaid Payment Instruments, the Prime Minister may order an Issuer of Prepaid Payment Instruments who has concluded a guarantee contract of security deposit for issuance or a trust contract of security deposit for issuance or the counterparty thereto to deposit all or part of the secured amount or the amount of proceeds from realizing the trust property.

(Recovery of Security Deposits for Issuance)

Article 18 All or part of a security deposit for issuance may be recovered, pursuant to Cabinet Order provisions, if any of the conditions specified in the following items are satisfied:

- (i) When the Unused Base Date Balance is not more than the Standard Amount;
- (ii) When the amount of the security deposit for issuance exceeds the Required Amount of Deposit;
- (iii) When the procedure for the execution of the right set forth in Article 31 (1) has been completed; and
- (iv) In addition to the cases listed in the preceding three items, when, as specified by Cabinet Order, the protection of the interests of users of Prepaid Payment Instruments is not hindered.

(Change in the Custody of Security Deposits for Issuance and Other Procedures)

Article 19 In addition to what is provided for in this Section, a change in the custody of security deposits for issuance are due to a change in the principal business office or office of an Issuer of Prepaid Payment Instruments and other particulars necessary for the making of security deposits for issuance shall be prescribed by Cabinet Office Ordinance and an Ordinance of the Ministry of Justice.

(Refunds to the Holders of Prepaid Payment Instruments)

Article 20 (1) An Issuer of Prepaid Payment Instruments falling under any of the following items must refund to the holders of Prepaid Payment Instruments an amount of the outstanding balance of said Prepaid Payment Instruments as specified by Cabinet Office Ordinance:

- (i) When the Issuer of Prepaid Payment Instruments has discontinued all or part of the business of issuing Prepaid Payment Instruments (excluding cases where said business has been succeeded by way of inheritance, assignment of business, a merger or company split, or for other reasons);

- (ii) In cases where the Issuer of Prepaid Payment Instruments is an Issuer of Prepaid Payment Instruments for Third-Party Business, when it has had its registration under Article 7 rescinded pursuant to the provisions of Article 27 (1) or (2); or
 - (iii) Other cases specified by Cabinet Office Ordinance.
- (2) An Issuer of Prepaid Payment Instruments must not make any refund with regard to the Prepaid Payment Instruments that it issues to the holders thereof except in the cases specified in the items of the preceding paragraph. However, this shall not apply to cases where the amount to be refunded is small or other cases where the sound management of the business of issuing Prepaid Payment Instruments is not hindered, as specified by Cabinet Office Ordinance.

(Information Security Management)

Article 21 An Issuer of Prepaid Payment Instruments must, pursuant to the Cabinet Office Ordinance provisions, take necessary measures for preventing leakage, loss, or damage of information pertaining to the business of issuing Prepaid Payment Instruments and otherwise ensuring safe control of the handling of said information.

Section 5 Supervision

(Books and Documents)

Article 22 An Issuer of Prepaid Payment Instruments must, pursuant to the Cabinet Office Ordinance provisions, prepare and maintain the books and documents on its business of issuing Prepaid Payment Instruments.

(Reports)

Article 23 (1) An Issuer of Prepaid Payment Instruments must, pursuant to the Cabinet Office Ordinance provisions, prepare a written report on the business of issuing Prepaid Payment Instruments containing the following particulars at every Base Date, and submit it to the Prime Minister:

- (i) The amount of Prepaid Payment Instruments issued during the Record Period including the relevant Base Date;
 - (ii) The Unused Base Date Balance of Prepaid Payment Instruments as of the relevant Base Date;
 - (iii) The amount of the security deposit for issuance pertaining to said Unused Base Date Balance; and
 - (iv) Other particulars specified by Cabinet Office Ordinance.
- (2) Documents concerning finance and other documents specified by Cabinet Office Ordinance must be attached to the written report under the preceding

paragraph.

- (3) With regard to Issuers of Prepaid Payment Instruments for Own Business, the provisions of paragraph (1) shall not apply to Base Dates falling within a period from the day immediately following the Base Date on which the Unused Base Date Balance decreased to the Standard Amount or less to the day immediately preceding the subsequent Base Date on which the Unused Base Date Balance again exceeded the Standard Amount.

(On-site Inspections, etc.)

Article 24 (1) When the Prime Minister finds it necessary for ensuring sound and appropriate management of the business of issuing Prepaid Payment Instruments of an Issuer of Prepaid Payment Instruments, the Prime Minister may order said Issuer of Prepaid Payment Instruments to submit reports or materials that will be helpful for understanding its business or property, or have officials enter the business office, office or other establishment of said Issuer of Prepaid Payment Instruments, inquire about the status of its business or property or inspect its books and documents or other items.

- (2) When and to the extent that the Prime Minister finds it particularly necessary for ensuring sound and appropriate management of the business of issuing Prepaid Payment Instruments of an Issuer of Prepaid Payment Instruments, the Prime Minister may, to the extent necessary, order a person to whom business has been entrusted by said Issuer of Prepaid Payment Instruments to submit reports or materials that will be helpful for understanding the business or property of said Issuer of Prepaid Payment Instruments, or have officials enter the business office, office or other establishment of said person to whom business has been entrusted by said Issuer of Prepaid Payment Instruments, inquire about the status of its business or property of said Issuer of Prepaid Payment Instruments or inspect its books and documents or other items.

- (3) A person to whom business has been entrusted by an Issuer of Prepaid Payment Instruments referred to in the preceding paragraph may, if there are justifiable grounds, refuse the submission of reports or materials, or the inquiry or inspection pursuant to the provision of said paragraph.

(Order to Improve Business Operations)

Article 25 When the Prime Minister finds, with regard to the business of issuing Prepaid Payment Instruments of an Issuer of Prepaid Payment Instruments, any fact that might harm the interests of users of Prepaid Payment Instruments, the Prime Minister may, within limit necessary for the protection of the interests of these users, order said Issuer of Prepaid Payment Instruments to take necessary measures to improve the operations of said

business.

(Order for Issuers of Prepaid Payment Instruments for Own Business to Suspend Business)

Article 26 When an Issuer of Prepaid Payment Instruments for Own Business falls under any of the following items, the Prime Minister may order the Issuer of Prepaid Payment Instruments for Own Business to suspend all or part of its business of issuing Prepaid Payment Instruments specifying a period of suspension not exceeding six months:

- (i) When the Issuer of Prepaid Payment Instruments for Own Business has violated this Act or an order issued pursuant to this Act, or a disposition given pursuant thereto; or
- (ii) In cases where the right provided for in Article 31 (1) pertaining to the Prepaid Payment Instruments issued by the Issuer of Prepaid Payment Instruments for Own Business is likely to be exercised, when the Prime Minister finds it necessary to prevent the spread of damage of the users of said Prepaid Payment Instruments.

(Rescission of Registration of Issuers of Prepaid Payment Instruments for Third-Party Business, etc.)

Article 27 (1) When an Issuer of Prepaid Payment Instruments for Third-Party Business falls under any of the following items, the Prime Minister may rescind its registration under Article 7 or order the Issuer of Prepaid Payment Instruments for Third-Party Business to suspend all or part of its business of issuing Prepaid Payment Instruments for Third-Party Business specifying a period of suspension not exceeding six months:

- (i) When the Issuer of Prepaid Payment Instruments for Third-Party Business comes to fall under any of the items of Article 10 (1);
 - (ii) When the Issuer of Prepaid Payment Instruments for Third-Party Business has obtained the registration under Article 7 through wrongful means;
 - (iii) When the Issuer of Prepaid Payment Instruments for Third-Party Business has violated this Act or an order issued pursuant to this Act, or a disposition given pursuant thereto; or
 - (iv) In cases where the right provided for in Article 31 (1) pertaining to the Prepaid Payment Instruments issued by the Third-party Issue is likely to be exercised, when the Prime Minister finds it necessary to prevent the spread of damage of the users of said Prepaid Payment Instruments.
- (2) When the locations of business offices or offices of an Issuer of Prepaid Payment Instruments for Third-Party Business are not ascertained or the whereabouts of the officer representing the Issuer of Prepaid Payment Instruments for Third-Party Business is not ascertained, the Prime Minister

shall give a public notice to that effect pursuant to the Cabinet Office Ordinance provisions and may rescind the registration of said Issuer of Prepaid Payment Instruments for Third-Party Business under Article 7 if it does not report within thirty days from the date of said public notice.

- (3) The provision of Chapter III of the Administrative Procedure Act (Act No. 88 of 1993) shall not apply to disposition under the preceding paragraph.

(Deletion of Registration)

Article 28 When the Prime Minister has rescinded the registration under Article 7 pursuant to provisions of paragraph (1) or (2) of the preceding Article or when the registration under Article 7 has ceased to be effective pursuant to the provisions of Article 33 (2), the Prime Minister must delete said registration.

(Public Notice of Supervisory Dispositions)

Article 29 When the Prime Minister rendered a disposition pursuant to the provisions of Article 26, or Article 27 (1) or (2), the Prime Minister must give public notice to that effect pursuant to the Cabinet Office Ordinance provisions.

Section 6 Miscellaneous Provisions

(Special Provisions Pertaining to Succession of the Business of Issuing Prepaid Payment Instruments for Own Business)

Article 30 (1) In cases where a person other than an Issuer of Prepaid Payment Instruments has succeeded to the business of Issuing Prepaid Payment Instruments for Own Business from an Issuer of Prepaid Payment Instruments by way of inheritance, assignment of business, merger or company split, or for other reasons (excluding cases where such person has succeeded to the business of issuing Prepaid Payment Instruments for Third-Party Business), if the Unused Base Date Balance on the Base Date immediately preceding the date of succession of Prepaid Payment Instruments for Own Business pertaining to the succession of said business exceeded the Standard Amount, said person other than an Issuer of Prepaid Payment Instruments shall be deemed to be an Issuer of Prepaid Payment Instruments for Own Business who has issued said Prepaid Payment Instruments for Own Business, and the provisions of this Act (excluding Article 5) shall apply to said person.

- (2) A person who is deemed to be an Issuer of Prepaid Payment Instruments for Own Business pursuant to the provisions of the preceding paragraph must submit a written notice containing the following particulars to the Prime Minister without delay:

- (i) A statement to the effect that the person has succeeded to the business of Issuing Prepaid Payment Instruments for Own Business;

- (ii) Particulars listed in items (i) through (iv) of Article 5 (1);
 - (iii) The Unused Base Date Balance on the Base Date immediately preceding the date of succession of Prepaid Payment Instruments for Own Business; and
 - (iv) Particulars listed in items (vi) through (x) of Article 5 (1) pertaining to the succeeded Prepaid Payment Instruments for Own Business.
- (3) Documents concerning finance and other documents specified by Cabinet Office Ordinance must be attached to the written notice under the preceding paragraph.
- (4) When there has been a change in any of the particulars set forth in the item (ii) or item (iv) of paragraph (2), the person who is deemed to be an Issuer of Prepaid Payment Instruments for Own Business pursuant to the provisions of paragraph (1) must notify the Prime Minister to that effect without delay.

(Return of Security Deposit for Issuance)

- Article 31 (1) Holders of Prepaid Payment Instruments shall have the right to receive, in preference over other creditors, payments with regard to claims pertaining to Prepaid Payment Instruments for the return of the security deposit for issuance pertaining to said Prepaid Payment Instruments.
- (2) In cases falling under any of the following items, when the Prime Minister finds it necessary for the protection of the interests of holders of Prepaid Payment Instruments, the Prime Minister must give a public notice to the effect that persons holding the right provided for in the preceding paragraph shall state their claims to the Prime Minister within a certain period specified to be not less than sixty days and that they shall be excluded from the procedures for the execution of the right to the return of the security deposit for issuance pertaining to said public notice unless they state their claims within the notified period:
- (i) When a petition is filed for the exercise of the right provided for in the preceding paragraph; or
 - (ii) When a Petition for Commencement of Bankruptcy Proceedings, etc. is filed against an Issuer of Prepaid Payment Instruments.
- (3) The Prime Minister may, pursuant to Cabinet Office Ordinance provisions, entrust the administrative work related to the execution of the right under paragraph (1) to a Deposit-taking Institution or any other person specified by Cabinet Order (referred to as "Agents for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments" in the following paragraph and in paragraph (5)).
- (4) Notwithstanding the provisions of any other Acts, any Agents for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments may engage in the business of performing the

administrative work entrusted pursuant to the provisions of the preceding paragraph.

- (5) With regard to the application of the Penal Code (Act No. 45 of 1907) and other penal provisions, an Agents for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments to whom business has been entrusted pursuant to the provisions of paragraph (3) or its officers or employees engaging in said entrusted business shall be deemed to be officials engaged in public service under laws and regulations.
- (6) In addition to the particulars prescribed in paragraph (2) through the preceding paragraph, particulars necessary for the exercise of the right provided for in paragraph (1) shall be specified by Cabinet Order.

(Cooperation for Return of Security Deposit for Issuance)

Article 32 In cases where a person to whom the business of issuing Prepaid Payment Instruments has been entrusted by an Issuer of Prepaid Payment Instruments, or a closely related person, member shop or any other related person of said Issuer of Prepaid Payment Instruments is requested by the Prime Minister to extend necessary cooperation for the exercise of the right provided for in paragraph (1) of the preceding Article pertaining to the Prepaid Payment Instruments issued by said Issuer of Prepaid Payment Instruments, said person shall endeavor to respond to the request.

(Notification of Discontinuation of Business, etc.)

Article 33 (1) When an Issuer of Prepaid Payment Instruments falls under any of the following items, it must notify the Prime Minister to that effect without delay:

- (i) When the Issuer of Prepaid Payment Instruments has discontinued all or part of the business of issuing Prepaid Payment Instruments; or
- (ii) When the Issuer of Prepaid Payment Instruments falls under Article 31 (2) (ii).

(2) When an Issuer of Prepaid Payment Instruments for Third-Party Business has discontinued all or part of the business of issuing Prepaid Payment Instruments for Third-Party Business, the registration of said Issuer of Prepaid Payment Instruments for Third-Party Business under Article 7 shall cease to be effective.

(Completion of Performance of Obligations, etc. Subsequent to Rescission of Registration, etc.)

Article 34 With regard to an Issuer of Prepaid Payment Instruments for Third-Party Business, when the registration under Article 7 has been rescinded pursuant to provisions of Article 27 (1) or (2) or has ceased to be effective

pursuant to the provisions of paragraph (2) of the preceding Article, said person who has been an Issuer of Prepaid Payment Instruments for Third-Party Business shall be deemed to be an Issuer of Prepaid Payment Instruments for Third-Party Business within the scope of the purpose of completing the performance of obligations pertaining to the Prepaid Payment Instruments for Third-Party Business issued by said person.

(Special Provisions for Deposit-taking Institutions.)

Article 35 The provisions of Article 14 (1) shall not apply to an Issuer of Prepaid Payment Instruments who is a Deposit-taking Institution satisfying the requirements specified by Cabinet Order or other person specified by Cabinet Order.

(Prohibition on Solicitation of Prepaid Payment Instruments Issued in a Foreign State)

Article 36 A person engaging in the business of issuing Prepaid Payment Instruments in a foreign state must not solicit a person in Japan for Prepaid Payment Instruments issued by the person in the foreign state.

Chapter III Funds Transfer

Section 1 General Provisions

(Registration of Funds Transfer Service Provider)

Article 37 Notwithstanding the provisions of Article 4 (1) and Article 47 (1) of the Banking Act, a person registered with the Prime Minister may engage in the Funds Transfer Service.

(Application for Registration)

Article 38 (1) A person who intends to obtain registration under the preceding Article must, pursuant to Cabinet Office Ordinance provisions, submit a written application for registration containing the following particulars to the Prime Minister:

- (i) Trade name and address;
- (ii) Amount of capital;
- (iii) Name and location of the business office pertaining to the Funds Transfer Service;
- (iv) Name of director and company auditor (director and executive officer in the case of a company with committees and persons equivalent thereto in the case of a Foreign Funds Transfer Service Provider; the same shall apply in Article 40 (1) (x));
- (v) In the case of a company with accounting advisors, names of accounting

- advisors;
- (vi) In the case of a Foreign Funds Transfer Service Provider, name of the representative person in Japan;
 - (vii) Contents and means of the Funds Transfer Service;
 - (viii) In cases where the Funds Transfer Service is entrusted to a third party, contents of the business pertaining to said entrustment and the name or trade name or other name and address of the third party to whom the Funds Transfer Service is entrusted;
 - (ix) Type of other businesses, if any; and
 - (x) Other particulars specified by Cabinet Office Ordinance.
- (2) A written statement that the applicant does not fall under any of the items of Article 40 (1), documents concerning finance, documents containing particulars concerning the establishment of a system for ensuring the proper and secure provision/conducting of Funds Transfer Services, and other documents specified by Cabinet Office Ordinance must be attached to the application for registration under the preceding paragraph.

(Funds Transfer Service Provider Registry)

- Article 39 (1) The Prime Minister must, when an application for registration was made under Article 37, register the following particulars to the registry of Funds Transfer Service Providers, except when refusing such registration pursuant to the provisions of paragraph (1) of the following Article:
- (i) Particulars listed in the items of paragraph (1) of the preceding Article; and
 - (ii) Date of registration and registration number.
- (2) When the Prime Minister has made registration under the provisions of the preceding paragraph, the Prime Minister must notify the applicant to that effect without delay.
- (3) The Prime Minister must make the registry of Funds Transfer Service Providers available for public inspection.

(Refusal of Registration)

- Article 40 (1) The Prime Minister must refuse registration when an applicant falls under any of the following items, or a written application for registration or documents attached thereto contains false statements about important particulars, or lacks any statement about important particulars:
- (i) A person other than a stock company or a Foreign Funds Transfer Service Provider (limited to a foreign company that has a business office in Japan);
 - (ii) A Foreign Funds Transfer Service Provider that is a corporation who does not have a representative person in Japan (limited to a person who is domiciled in Japan);
 - (iii) A corporation lacking a sufficient financial basis that is found to be

- necessary for the proper and secure provision/conducting of Funds Transfer Services;
- (iv) A corporation who has not established a system that is necessary for the proper and secure provision/conducting of Funds Transfer Services;
 - (v) A corporation who has not established a system that is necessary for ensuring compliance with the provisions of this Chapter;
 - (vi) A corporation who intends to use a trade name or other name that is identical to the one currently used by another Funds Transfer Service Provider or that may be misidentified as another Funds Transfer Service Provider;
 - (vii) A corporation who had its registration under Article 37 rescinded pursuant to the provisions of Article 56 (1) or (2), or had its license under Article 64 (1) rescinded pursuant to the provisions of Article 82 (1) or (2) and for whom five years have not passed since the date of the rescission, or a corporation who had obtained registration or license of the same kind in a foreign state under the provisions of laws and regulations of said foreign state equivalent to this Act or the Banking Act, etc. and had the registration (including permission or other administrative dispositions similar to said registration or license) rescinded, and for whom five years have not passed since the date of the rescission;
 - (viii) A corporation who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc. (Act No. 195 of 1954) or laws and regulations of a foreign state equivalent thereto, and for whom five years have not passed since the day when the execution of the punishment terminated or the corporation became free from the execution of the punishment;
 - (ix) A corporation whose other business is found to be against the public interest;
 - (x) A corporation whose directors, company auditors, or accounting advisors (including representative persons in Japan in the case of a Foreign Funds Transfer Service Provider; hereinafter referred to as "Directors, etc." in this Chapter) include a person who falls under any of the following items;
 - (a) A person who is an adult ward or a person under curatorship, or a person equivalent thereto under laws and regulations of a foreign state;
 - (b) A person who has not had rights restored after receiving a ruling of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
 - (c) A person who has received punishment that is heavier than imprisonment without labor (including equivalent punishment under laws and

regulations of a foreign state), and for whom five years have not passed since either execution of the sentence or the cessation of being subject to its execution;

- (d) A person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, etc., the Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc., the Act on Prevention of Illegal Acts by Organized Crime Group Members (Act No. 77 of 1991) or laws and regulations of a foreign state equivalent thereto, and for whom five years have not passed since the day when the execution of the punishment terminated or the corporation became free from the execution of the punishment;
 - (e) In the case where a Funds Transfer Service Provider had its registration under Article 37 rescinded pursuant to the provisions of Article 56 (1) or (2) or a corporation had its registration (including permission or other administrative dispositions similar to said registration) of the same kind rescinded that had been granted in a foreign state pursuant to the provisions of laws and regulations of said foreign state equivalent to this Act, a person who had been a Director, etc. of such corporation at any time during the thirty days prior to the date of the rescission and for whom five years have not passed since that date or a person specified by Cabinet Order as similar thereto.
- (2) When the Prime Minister has refused the registration pursuant to the provisions of the preceding paragraph, the Prime Minister must notify the applicant to that effect by indicating the reason therefor without delay.

(Notification of Changes)

Article 41 (1) When there has been a change in any of the particulars set forth in the items of Article 38 (1), the Funds Transfer Service Provider must notify the Prime Minister to that effect without delay.

- (2) When the Prime Minister accepts a notification under the preceding paragraph, the Prime Minister must register the particulars notified of in the register of Funds Transfer Service Provider.

(Prohibition of Name Lending)

Article 42 A Funds Transfer Service Provider must not have another person engage in the Funds Transfer Service under the name of said Funds Transfer Service Provider.

Section 2 Business

(Making of Security Deposits for Providing Funds Transfer Services)

Article 43 (1) A Funds Transfer Service Provider must, for each period specified by Cabinet Office Ordinance not to exceed one month, make a security deposit for providing Funds Transfer Services to the official depository nearest to its head office (in the case of a Funds Transfer Service Provider that is a Foreign Funds Transfer Service Provider, its principal business office in Japan; the same shall apply in Article 48) in an amount equivalent to an amount not less than the highest amount of the Required Amount as Security for Providing Funds Transfer Services during said period (referred to as the "Required Amount of Deposit" in Article 47 (i)) within one week from the last day of said period (referred to as the "Base Date" in said item).

(2) The term "Required Amount as Security for Providing Funds Transfer Services" as used in the preceding paragraph means the total of the amount of outstanding obligations in the process of funds transfer (meaning an amount, calculated pursuant to the Cabinet Office Ordinance provisions, of obligations borne by a Funds Transfer Service Provider in relation to exchange transactions carried out by the Funds Transfer Service Provider; hereinafter the same shall apply in this Chapter) on each business day and an amount calculated pursuant to the Cabinet Office Ordinance provisions as the amount of costs pertaining to the procedure for the execution of the right provided for in Article 59 (1) (in the case where said total is not more than the amount specified by Cabinet Order to be necessary for ensuring performance of obligations borne by a small-scale Funds Transfer Service Provider in relation to exchange transactions carried out by the small-scale Funds Transfer Service Provider, said amount specified by Cabinet Order).

(3) National government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Ordinance (including transfer bonds prescribed in Article 278 (1) of the Act on Transfer of Bonds, Shares, etc.; the same shall apply in Article 45 (3)) may be deposited to fulfill the security deposit for providing Funds Transfer Services requirement. In this case, the appraised value of such bond certificates shall be determined pursuant to the Cabinet Office Ordinance provisions.

(Guarantee Contracts of Security Deposits of Providing Funds Transfer Services)

Article 44 When a Funds Transfer Service Provider has concluded a guarantee contract of security deposit of providing Funds Transfer Services (meaning a contract in which a Deposit-taking Institution satisfying the requirements specified by Cabinet Order or any other person specified by Cabinet Order promises that a security deposit for providing Funds Transfer Services will be made on behalf of the Funds Transfer Service Provider in response to the order

of the Prime Minister; the same shall apply in this Chapter) and has notified the Prime Minister to that effect, pursuant to the Cabinet Order provisions, it may choose not to make all or part of the security deposit for providing Funds Transfer Services with regard to the secured amount (meaning the amount of money to be deposited under said guarantee contract of security deposit of providing Funds Transfer Services; hereinafter the same shall apply in this Chapter) limited to the period during which said contract remains in force.

(Trust Contracts of Security Deposits of Providing Funds Transfer Services)

Article 45 (1) In the case where a Funds Transfer Service Provider has concluded with a Trust Company, etc. a trust contract of a security deposit of providing Funds Transfer Services (meaning a trust contract the purpose of which is to apply the trust property to assign a security deposit for providing Funds Transfer Services in response to the order of the Prime Minister and the provisions which prescribe that said Trust Company, etc. shall carry out necessary acts including the management of said trust property for the achievement of said trust purpose; the same shall apply hereinafter in this Chapter) and has obtained the relevant approval of the Prime Minister, if, on each business day of said Funds Transfer Service Provider, the amount of the trust property entrusted pursuant to said trust contract of security deposit of providing Funds Transfer Services is not less than the Required Amount as Security for Providing Funds Transfer Services (meaning the Required Amount as Security for Providing Funds Transfer Services provided for in Article 43 (2); the same shall apply hereinafter in this Chapter) on the immediately preceding business day, the provisions of paragraph (1) of said Article shall not apply.

(2) A trust contract of security deposit of providing Funds Transfer Services must prescribe the following particulars:

- (i) The beneficiaries of the trust contract of security deposit of providing Funds Transfer Services shall be the users of exchange transactions carried out by the Funds Transfer Service Provider who is the party to said trust contract of security deposit of providing Funds Transfer Services (hereinafter referred to as "Trust Contract Funds Transfer Service Provider" in this Article);
- (ii) An agent of the beneficiaries shall be appointed;
- (iii) The Trust Contract Funds Transfer Service Provider shall notify the Trust Company, etc. of the Required Amount as Security for Providing Funds Transfer Services for each business day by the following business day;
- (iv) The Trust Contract Funds Transfer Service Provider shall be liable to contribute its property as trust property as necessary so that the amount of the trust property existing on each business day is not less than the Required Amount as Security for Providing Funds Transfer Services on the

- immediately preceding business day.
- (v) In cases where the amount of the trust property existing on each business day has decreased to the same as or less than the Required Amount as Security for Providing Funds Transfer Services on the immediately preceding business day, the Trust Company, etc. may not transfer any property belonging to said trust property to the Trust Contract Funds Transfer Service Provider.
 - (vi) A Trust Company, etc. shall realize the trust property and deposit the proceeds thereof in response to the order of the Prime Minister; and
 - (vii) Other particulars specified by Cabinet Office Ordinance.
- (3) The type of the trust property entrusted pursuant to a trust contract of security deposit of providing Funds Transfer Services shall be limited to money, bank deposits and savings (limited to those specified by Cabinet Office Ordinance), or national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Ordinance. In this case, the appraised value of such bond certificates shall be determined pursuant to the Cabinet Office Ordinance provisions.
- (4) With regard to a Funds Transfer Service Provider to whom the provisions of paragraph (1) have been applied, in the case where the amount of trust property under the trust contract of security deposit of providing Funds Transfer Services on any business day (hereinafter referred to as the "Specified Day" in this paragraph) has decreased to the Required Amount as Security for Providing Funds Transfer Services on the immediately preceding business day or less, in applying the provisions of Article 43 (1) to the period (meaning the period specified by Cabinet Office Ordinance as prescribed in paragraph (1) of said Article; hereinafter the same shall apply in this paragraph) immediately preceding the period that includes said Specified Day, the phrase "within one week from the last day of said period (referred to as the "Base Date" in said item)" in said paragraph shall be deemed to be replaced with "the day on which the amount of trust property under the trust contract of security deposit of providing Funds Transfer Services provided for in Article 45 (1) has decreased to the Required Amount as Security for Providing Funds Transfer Services on the immediately preceding business day or less (referred to as the "Base Date" in said item)."

(Deposit Order)

Article 46 When the Prime Minister finds it necessary for the protection of the interests of users of the Funds Transfer Service, the Prime Minister may order a Funds Transfer Service Provider who has concluded a guarantee contract of security deposit of providing Funds Transfer Services or trust contract of security deposit of providing Funds Transfer Services or the counterparty

thereto to deposit all or part of the secured amount or the amount of proceeds from realizing the trust property.

(Recovery of Security Deposit for Providing Funds Transfer Services)

Article 47 All or part of a security deposit for providing Funds Transfer Services may be recovered, pursuant to Cabinet Order provisions, if any of the conditions specified in the following items is satisfied:

- (i) When the Required Amount of Deposit on a Base Date is less than the total of the amount of security deposit for providing Funds Transfer Services and the secured amount on the immediately preceding Base Date;
- (ii) When the procedure for the execution of the right set forth in Article 59 (1) has been completed; and
- (iii) In cases where, as specified by Cabinet Order, the performance of obligations borne in relation to exchange transactions has been completed.

(Change in the Custody of Security Deposits for Providing Funds Transfer Services and Other Procedures)

Article 48 In addition to what is provided for in this Section, a change in the custody of security deposits for providing Funds Transfer Services due to a change in the head office of a Funds Transfer Service Provider and other particulars necessary for the making of a security deposit for providing Funds Transfer Services shall be prescribed by Cabinet Office Ordinance and Ordinance of the Ministry of Justice.

(Information Security Management)

Article 49 A Funds Transfer Service Provider must, pursuant to the Cabinet Office Ordinance provisions, take necessary measures for preventing leakage, loss, or damage of information pertaining to the Funds Transfer Service and otherwise ensuring safe control of the handling of said information.

(Outsourcing Management)

Article 50 In cases where a Funds Transfer Service Provider entrusts the Funds Transfer Service to a third party, the Funds Transfer Service Provider must, pursuant to the Cabinet Office Ordinance provisions, provide guidance to the third party to whom said business has been entrusted and take other measures necessary for ensuring proper and secure provision/conducting of said service.

(Measures for Customer Protection, etc.)

Article 51 A Funds Transfer Service Provider must, pursuant to the Cabinet Office Ordinance provisions, provide explanation designed to prevent users from mistaking its business for exchange transactions carried out by a Deposit-

taking Institution and information about fees and other terms and conditions of contracts pertaining to the Funds Transfer Service and take other measures necessary for protecting the users of the Funds Transfer Service and ensuring the proper and secure provision/conducting of Funds Transfer Services.

(Obligation to Conclude a Contract with Designated Dispute Resolution Organization, etc.)

Article 51-2 (1) A Funds Transfer Service Provider must take the measures specified in the following items for the categories of cases respectively prescribed therein:

- (i) In the case where one or more Designated Dispute Resolution Organizations exist: Measures to conclude with a Designated Dispute Resolution Organization a basic contract for execution of procedures pertaining to the Funds Transfer Service (meaning a basic contract for execution of procedures prescribed in Article 99 (1) (viii); the same shall apply in the following paragraph); or
 - (ii) In the case where no Designated Dispute Resolution Organization exists: Complaint Processing Measures and Dispute Resolution Measures pertaining to the Funds Transfer Service.
- (2) In the case where a Funds Transfer Service Provider took measures to conclude a basic contract for execution of procedures pursuant to the provisions of the preceding paragraph, the Funds Transfer Service Provider must publicly announce the trade name or other name of the Designated Dispute Resolution Organization that is the counterparty to said basic contract for execution of procedures.
- (3) The provisions of paragraph (1) shall not apply during the period specified in the following items for the categories of cases respectively prescribed therein:
- (i) In the case where a Funds Transfer Service Provider initially fell under paragraph (1) (i) has come to fall under paragraph (1) (ii): A period specified by the Prime Minister as the period necessary for taking measures specified in paragraph (1) (ii) when authorization is granted for the abolition of the Business of Dispute Resolution, etc. (meaning the Business of Dispute Resolution, etc. prescribed in Article 99 (1); the same shall apply in the following item) under Article 52-83 (1) of the Banking Act as applied mutatis mutandis by replacing certain terms pursuant to Article 101 (1) or designation is rescinded pursuant to the provisions of Article 100 (1);
 - (ii) In the case where a Funds Transfer Service Provider falls under paragraph (1) (i), when authorization is granted for the abolition of the Business of Dispute Resolution, etc. by the Designated Dispute Resolution Organization mentioned in said item under Article 52-83 (1) of the Banking Act as applied mutatis mutandis by replacing certain terms pursuant to Article 101 (1) or

- the designation granted to said Designated Dispute Resolution Organization under Article 99 (1) is rescinded pursuant to the provisions of Article 100 (1) (excluding the case specified in the preceding item): A period specified by the Prime Minister as the period necessary for taking measures specified in paragraph (1) (i) at the time of said authorization or rescission; or
- (iii) In the case where a Funds Transfer Service Provider initially fell under paragraph (1) (ii) has come to fall under paragraph (1) (i): A period specified by the Prime Minister as the period necessary for taking measures specified in said item when designation is granted under Article 99 (1).
- (4) The term "Complaint Processing Measures" as used in paragraph (1) (ii) means to cause a person specified by Cabinet Office Ordinance as one who has expert knowledge and experience with regard to consultation regarding complaints on consumer affairs arising between the consumer and the service provider or in other areas of consumer affairs to engage in the provision of advice or guidance to employees or other workers who engage in the business of processing complaints from the users or any other measures specified by Cabinet Office Ordinance as similar thereto.
- (5) The term "Dispute Resolution Measures" as used in paragraph (1) (ii) means to seek resolution of a dispute with the user through the Certified Dispute Resolution Procedures (meaning the Certified Dispute Resolution Procedures prescribed in Article 2 (iii) of the Act on Promotion of Use of Alternative Dispute Resolution (Act No. 151 of 2004)) or any other measures specified by Cabinet Office Ordinance as similar thereto.

Section 3 Supervision

(Books and Documents)

Article 52 A Funds Transfer Service Provider must, pursuant to the Cabinet Office Ordinance provisions, prepare and maintain the books and documents on its Funds Transfer Service.

(Reports)

Article 53 (1) A Funds Transfer Service Provider must, pursuant to the Cabinet Office Ordinance provisions, prepare a written report on its Funds Transfer Service for each business year and submit it to the Prime Minister.

(2) In addition to the written reports prescribed in the preceding paragraph, a Funds Transfer Service Provider must, pursuant to the Cabinet Office Ordinance provisions, prepare a written report on the amount of outstanding obligations in the process of funds transfer and the status of making of a security deposit for providing Funds Transfer Services, the guarantee contract of security deposit of providing Funds Transfer Services, or the trust contract

of security deposit of providing Funds Transfer Services for each period specified by Cabinet Office Ordinance not to exceed six months, and submit it to the Prime Minister.

- (3) Documents concerning finance and other documents specified by Cabinet Office Ordinance must be attached to the written report under the preceding two paragraphs.

(On-site Inspections, etc.)

Article 54 (1) When the Prime Minister finds it necessary for the proper and secure provision/conducting of Funds Transfer Services, the Prime Minister may order said Funds Transfer Service Provider to submit reports or materials that will be helpful for understanding its business or property, or have officials enter the business office or other establishment of said Funds Transfer Service Provider, inquire about the status of its business or property or inspect its books and documents or other items.

- (2) When the Prime Minister finds it particularly necessary for the proper and secure provision/conducting of Funds Transfer Services, the Prime Minister may, within the limit necessary, order a person to whom business has been entrusted by said Funds Transfer Service Provider to submit reports or materials that will be helpful for understanding the business or property of said Funds Transfer Service Provider, or have officials enter the business office, office or other establishment of said person to whom business has been entrusted by said Funds Transfer Service Provider, inquire about the status of its business or property of said Funds Transfer Service Provider or inspect its books and documents or other items.

- (3) A person to whom business has been entrusted by a Funds Transfer Service Provider referred to in the preceding paragraph may, if there are justifiable grounds for doing so, refuse the submission of reports or materials, or the inquiry or inspection pursuant to the provision of said paragraph.

(Order to Improve Business Operations)

Article 55 When the Prime Minister finds it necessary for the proper and secure provision/conducting of Funds Transfer Services, the Prime Minister may, within the limits necessary, order a Funds Transfer Service Provider to take necessary measures to improve the operation of said business or its financial conditions or other measures necessary for the purpose of supervision.

(Rescission of Registration, etc.)

Article 56 (1) When a Funds Transfer Service Provider falls under any of the following items, the Prime Minister may rescind its registration under Article 37 or order the Funds Transfer Service Provider to suspend all or part of its

Funds Transfer Service specifying a period of suspension not exceeding six months:

- (i) When the Funds Transfer Service Provider comes to fall under any of the items of Article 40 (1);
 - (ii) When the Funds Transfer Service Provider has obtained the registration under Article 37 through wrongful means; or
 - (iii) When the Funds Transfer Service Provider has violated this Act or an order issued pursuant to this Act, or a disposition given pursuant thereto.
- (2) When the locations of business offices of a Funds Transfer Service Provider are not ascertained or the whereabouts of the director or executive officer representing the Funds Transfer Service Provider (in the case of a Funds Transfer Service Provider that is a Foreign Funds Transfer Service Provider, the representative person in Japan) is not ascertained, the Prime Minister shall give public notice to that effect pursuant to the Cabinet Office Ordinance provisions and may rescind the registration of said Funds Transfer Service Provider under Article 37 if it does not report within thirty days from the date of the public notice.
- (3) The provision of Chapter III of the Administrative Procedure Act shall not apply to disposition under the preceding paragraph.

(Deletion of Registration)

Article 57 When the Prime Minister has rescinded the registration under Article 37 pursuant to provisions of paragraph (1) or (2) of the preceding Article or when the registration under Article 37 has ceased to be effective pursuant to the provisions of Article 61 (2), the Prime Minister must delete said registration.

(Public Notice of Supervisory Disposition)

Article 58 When the Prime Minister renders a disposition pursuant to the provisions of Article 56 (1) or (2), the Prime Minister must give public notice to that effect pursuant to the Cabinet Office Ordinance provisions.

Section 4 Miscellaneous Provisions

(Return of Security Deposits for Providing Funds Transfer Services)

Article 59 (1) Creditors of obligations borne by a Funds Transfer Service Provider in relation to the exchange transactions carried out by the Funds Transfer Service Provider shall have the right to receive, in preference over other creditors, payments for the return of the security deposit for providing Funds Transfer Services.

- (2) In cases falling under any of the following items, when the Prime Minister

finds it necessary for the protection of the interests of users of the Funds Transfer Service, the Prime Minister must give public notice to the effect that persons holding the right provided for in the preceding paragraph shall state their claims to the Prime Minister within a certain period specified to be not less than sixty days and that they shall be excluded from the procedure for the execution of the right to the return of the security deposit for providing Funds Transfer Services pertaining to said public notice unless they state their claims within the notified period and take other measures necessary for the execution of the right provided for in said paragraph:

- (i) When a petition is filed for the exercise of the right provided for in the preceding paragraph; or
 - (ii) When a Petition for Commencement of Bankruptcy Proceedings, etc. is filed against a Funds Transfer Service Provider.
- (3) The Prime Minister may, pursuant to the Cabinet Office Ordinance provisions, entrust the administrative work related to the execution of the right under paragraph (1) to a Deposit-taking Institution or any other person specified by Cabinet Order (referred to as "Agents for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments" in the following paragraph and in paragraph (5)).
- (4) Notwithstanding the provisions of any other Acts, an Agent for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments may engage in the business of performing the administrative works entrusted pursuant to the provisions of the preceding paragraph.
- (5) With regard to the application of the Penal Code and other penal provisions, an Agents for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments to whom business has been entrusted pursuant to the provisions of paragraph (3) or its officers or employees engaging in said entrusted business shall be deemed to be officials engaged in public service under laws and regulations.
- (6) In addition to the particulars prescribed in paragraph (2) through the preceding paragraph, particulars necessary for the exercise of the right provided for in paragraph (1) shall be specified by Cabinet Order.

(Cooperation for Return of Security Deposit for Providing Funds Transfer Services)

Article 60 In cases where a person to whom the Funds Transfer Service has been entrusted by a Funds Transfer Service Provider or any other related person of said Funds Transfer Service Provider is requested by the Prime Minister to extend necessary cooperation for the exercise of the right provided for in paragraph (1) of the preceding Article pertaining to exchange transactions

carried out by said Funds Transfer Service Provider, said person shall endeavor to respond to the request.

(Notification of the Discontinuation of Business, etc.)

Article 61 (1) When a Funds Transfer Service Provider falls under any of the following items, it must notify the Prime Minister to that effect without delay:

- (i) When the Funds Transfer Service Provider has discontinued the Funds Transfer Service; or
 - (ii) When the Funds Transfer Service Provider falls under Article 59 (2) (ii).
- (2) When a Funds Transfer Service Provider has discontinued the Funds Transfer Service, the registration of said Funds Transfer Service Provider under Article 37 shall cease to be effective.
- (3) A Funds Transfer Service Provider intending to discontinue the Funds Transfer Service must, pursuant to the Cabinet Office Ordinance provisions, give public notice to that effect and post a notice to that effect in a place easily seen by the public at all of its business offices by 30 days prior to that day.
- (4) A Funds Transfer Service Provider must, when having given public notice pursuant to the provisions of the preceding paragraph, notify to that effect immediately to the Prime Minister.
- (5) A Funds Transfer Service Provider must, when having given public notice pursuant to the provisions of paragraph (3) (excluding cases where it has given public notice concerning the succession of said business by way of assignment of business, merger or company split, or for other reasons), promptly complete the performance of obligations that it has borne in relation to the exchange transactions that it has carried out.
- (6) The provisions of Article 940 (1) (limited to the part pertaining to item (i)) and Article 940 (3) of the Companies Act (Act No. 86 of 2005) shall apply mutatis mutandis to cases where a Funds Transfer Service Provider (excluding a Foreign Funds Transfer Service Provider) gives public notice under paragraph (3) by way of Electronic Public Notice (meaning Electronic Public Notice prescribed in Article 2 (xxxiv) of said Act; the same shall apply in the following paragraph). In this case, any necessary technical replacement of terms shall be specified by Cabinet Order.
- (7) The provisions of Article 940 (1) (limited to the part pertaining to item (i)) and Article 940 (3), Article 941, Article 946, Article 947, Article 951 (2), Article 953, and Article 955 of the Companies Act shall apply mutatis mutandis to cases where a Funds Transfer Service Provider that is a Foreign Funds Transfer Service Provider gives public notice under paragraph (3) by way of Electronic Public Notice. In this case, any necessary technical replacement of terms shall be specified by Cabinet Order.

(Completion of Performance of Obligations, etc. Subsequent to Rescission of Registration, etc.)

Article 62 With regard to a Funds Transfer Service Provider, when the registration under Article 37 has been rescinded pursuant to provisions of Article 56 (1) or (2) or has ceased to be effective pursuant to the provisions of paragraph (2) of the preceding Article, said person who has been a Funds Transfer Service Provider shall be deemed to be a Funds Transfer Service Provider within the scope of the purpose of completing the performance of obligations that it has borne in relation to the exchange transactions that it has carried out.

(Prohibition on Solicitation by Foreign Funds Transfer Service Providers)

Article 63 Unless otherwise prescribed by laws and regulations, a Foreign Funds Transfer Service Provider not registered under Article 37 shall not conduct solicitation of a person in Japan for exchange transactions.

Chapter IV Clearing for Exchange Transactions

Section 1 General Provisions

(License, etc. for Clearing Institution for Interbank Fund Transfers)

Article 64 (1) No person may engage in the Clearing Services for Interbank Fund Transfers unless the person has obtained a license from the Prime Minister.
(2) The provisions of the preceding paragraph shall not apply to deposit taking institutions and the Bank of Japan.

(License Application)

Article 65 (1) A person who intends to obtain license under paragraph (1) of the preceding Article must, pursuant to the Cabinet Office Ordinance provisions, submit a written application for license containing the following particulars to the Prime Minister:

- (i) Trade name or other name and address;
- (ii) Amount of capital or funds (meaning funds provided for in Article 131 of the Act on General Incorporated Association and General Incorporated Foundation (Act No. 48 of 2006)) and amount of net assets;
- (iii) Name and location of business office (s) or office (s);
- (iv) Name of director and company auditor (director and executive officer in the case of a company with committees; the same shall apply in paragraph (2) (iv) of the following Article) or board member and auditor;
- (v) In the case of a company with accounting advisors, names of accounting advisors; and
- (vi) Other particulars specified by Cabinet Office Ordinance.

- (2) The following documents must be attached to the written application for a license set forth in the preceding paragraph:
- (i) A written statement that the applicant does not fall under any of the items of paragraph (2) of the following Article;
 - (ii) Articles of incorporation;
 - (iii) Certificate of registered particulars;
 - (iv) Rules and procedures of operation;
 - (v) Balance sheet and profit and loss statement;
 - (vi) Documents stating the expected income and expenditure; and
 - (vii) Other documents specified by Cabinet Office Ordinance.

(Criteria for Granting a License)

Article 66 (1) When an application for license under paragraph (1) of the preceding Article has been filed, the Prime Minister must examine whether the application conforms to the following criteria:

- (i) The provisions of the articles of incorporation and the rules and procedures of operation conform to the laws and regulations, and are sufficient for the proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer;
 - (ii) The applicant has sufficient financial basis for the sound performance of the Clearing Services for Interbank Funds Transfer and has favorable prospects for income and expenditure pertaining to the Clearing Services for Interbank Funds Transfer; and
 - (iii) The applicant has, in light of its personnel structures, the knowledge and experience necessary for proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer and has sufficient social credibility.
- (2) The Prime Minister must refuse to grant a license when an applicant for a license falls under any of the following items, or a written application for license or documents attached thereto contain a false statement, or lack a statement about important particulars:
- (i) A person who is not a stock company or a general incorporated association (limited to a stock company or a general incorporated association with any of the following):
 - (a) Board of directors or council;
 - (b) Company auditors or committees (meaning committees provided for in Article 2 (xii) of the Companies Act) or auditors; or
 - (c) Accounting auditors.
 - (ii) A corporation who had its registration under Article 37 rescinded pursuant to the provisions of Article 56 (1) or (2), or had its license under Article 64 (1) rescinded pursuant to the provisions of Article 82 (1) or (2) and for whom five

years have not passed since the date of the rescission, or a corporation who had obtained registration or license of the same kind in a foreign state under the provisions of laws and regulations of said foreign state equivalent to this Act or the Banking Act, etc. and had the registration or license (including permission or other administrative dispositions similar to said registration or license) rescinded, and for whom five years have not passed since the date of the rescission;

- (iii) A corporation who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, or laws and regulations of a foreign state equivalent thereto, and for whom five years have not passed since the day when the execution of the punishment terminated or the corporation became free from the execution of the punishment;
- (iv) A corporation whose Directors, etc. (meaning directors or company auditors or accounting advisors, or board members or auditors; hereinafter the same shall apply in this Chapter) include a person who falls under any of the following items:
 - (a) A person who is an adult ward or a person under curatorship, or a person equivalent thereto under laws and regulations of a foreign state;
 - (b) A person who has not had rights restored after receiving a ruling of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
 - (c) A person who has received punishment that is heavier than imprisonment without labor (including equivalent punishment under laws and regulations of a foreign state), and for whom five years have not passed since either execution of the sentence or the cessation of being subject to its execution;
 - (d) A person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, etc., the Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc., the Act on Prevention of Illegal Acts by Organized Crime Group Members or laws and regulations of a foreign state equivalent thereto, and for whom five years have not passed since the day when the execution of the punishment terminated or the person became free from the execution of the punishment;
 - (e) In cases where a Clearing Institution for Interbank Funds Transfer had its license under Article 64 (1) rescinded pursuant to the provisions of Article 82 (1) or (2) or a corporation had its license or registration (including permission or other administrative dispositions similar to said license or registration) of the same kind rescinded that had been granted

in a foreign state pursuant to the provisions of laws and regulations of said foreign state equivalent to this Act, a person who had been a Director, etc. of such corporation at any time during the thirty days prior to the date of the rescission and for whom five years have not passed since that date or a person specified by Cabinet Order as similar thereto.

(Grounds for Disqualification, etc. of Directors, etc.)

Article 67 (1) A person falling under any of paragraph (2) (iv) (a) through (e) of the preceding Article may not become a Director, etc.:

(2) When a Director, etc. of a Clearing Institution for Interbank Funds Transfer comes to be classed as a person prescribed in the preceding paragraph, said Director, etc. shall lose their position.

(3) When a Director, etc. of a Clearing Institution for Interbank Funds Transfer has violated laws and regulations or a disposition by government agencies based on laws and regulations, the Prime Minister may order said Clearing Institution for Interbank Funds Transfer to dismiss said Director, etc.

(Application of the Companies Act)

Article 68 (1) The provisions of the proviso to Article 331 (2) (including the cases where it is applied mutatis mutandis pursuant to Article 335 (1) of the Companies Act), Article 332 (2) (including the cases where it is applied mutatis mutandis pursuant to Article 334 (1) of said Act), Article 336 (2), and the proviso to Article 402 (5) of the Companies Act shall not apply to a Clearing Institution for Interbank Funds Transfer that is a stock company.

(2) With regard to the application of Article 458 of the Companies Act to a Clearing Institution for Interbank Funds Transfer that is a stock company, the term "three million yen" in said Article shall be deemed to be replaced with "an amount specified by Cabinet Order which may not be less than three million yen."

Section 2 Business

(Restriction on Business)

Article 69 (1) A Clearing Institution for Interbank Funds Transfer shall not engage in any business other than the Clearing Services for Interbank Funds Transfer and business related thereto; provided, however, that this shall not apply if a Clearing Institution for Interbank Funds Transfer has obtained, pursuant to the Cabinet Office Ordinance provisions, the approval of the Prime Minister for a business that is found to involve no risk of causing hindrance to the proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer by said Clearing Institution for Interbank Funds

Transfer.

- (2) A Clearing Institution for Interbank Funds Transfer must, when having discontinued the business for which approval was obtained under the proviso to the preceding paragraph, notify the Prime Minister to that effect pursuant to the Cabinet Office Ordinance provisions.

(Entrustment of Part of the Clearing Services for Interbank Funds Transfer)

Article 70 (1) A Clearing Institution for Interbank Funds Transfer may, pursuant to the Cabinet Office Ordinance provisions, entrust part of the Clearing Services for Interbank Funds Transfer to a third party with the approval of the Prime Minister.

- (2) A Clearing Institution for Interbank Funds Transfer must attach to a contract for the entrustment of part of the Clearing Services for Interbank Funds Transfer under the preceding paragraph conditions to the effect that the party to whom business is entrusted shall take measures to ensure the proper and secure provision/conducting of said business.

(Rules and Procedures of Operation)

Article 71 (1) A Clearing Institution for Interbank Funds Transfer must conduct the Clearing Services for Interbank Funds Transfer pursuant to the provisions of its rules and procedures of operation.

- (2) The rules and procedures of operation must specify the following particulars:
- (i) Type of transactions that give rise to obligations subject to the Clearing Services for Interbank Funds Transfer;
 - (ii) Particulars concerning the requirements for a person who is the other party to the Clearing Services for Interbank Funds Transfer (hereinafter referred to as the "Clearing Participant" in this Chapter);
 - (iii) Particulars concerning the assumption of obligations, novation, and other methods carried out as part of the Clearing Services for Interbank Funds Transfer;
 - (iv) Particulars concerning the securing of performance of obligations of a Clearing Participant;
 - (v) Particulars concerning the securing of continued performance of the Clearing Services for Interbank Funds Transfer;
 - (vi) In cases where a Clearing Institution for Interbank Funds Transfer engages in business other than the Clearing Services for Interbank Funds Transfer and business related thereto, particulars concerning measures to ensure that said business will not cause hindrance to the proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer;
 - (vii) In cases where a Clearing Institution for Interbank Funds Transfer entrusts part of its Clearing Services for Interbank Funds Transfer to a third

party, particulars concerning the establishment of a system to ensure the proper and secure provision/conducting of the business pertaining to said entrustment by the third party;

- (viii) In cases where a Clearing Institution for Interbank Funds Transfer concludes a contract concerning the Clearing Services for Interbank Funds Transfer that contains important particulars specified by Cabinet Office Ordinance with a foreign national or a corporation established under the laws and regulations of a foreign state, a statement to that effect; and
- (ix) Other particulars specified by Cabinet Office Ordinance.

(Measures to Ensure Proper Provision/conducting of the Clearing Services for Interbank Funds Transfer)

Article 72 A Clearing Institution for Interbank Funds Transfer must prescribe that any and all losses arising from the Clearing Services for Interbank Funds Transfer shall be borne by the Clearing Participant in its rules and procedures of operation and take other measures to ensure proper provision/conducting of the Clearing Services for Interbank Funds Transfer.

(Payment and Settlement of Unsettled Obligations, etc.)

Article 73 (1) In cases where a Clearing Institution for Interbank Funds Transfer has prescribed in its rules and procedures of operation how to perform netting calculations, how to apply collateral to payment of obligations, and other payment and settlement methods, if a bankruptcy proceeding, rehabilitation proceeding, reorganization proceeding, special liquidation proceeding, or recognition and assistance proceeding has been started against a Clearing Participant, the method used to determine the amount of claims pertaining to unsettled obligations, etc. held by the Clearing Institution for Interbank Funds Transfer or said Clearing Participant and other payment and settlement methods used in relation to these proceedings shall be governed by said rules and procedures of operation.

(2) The term "Unsettled Obligations, etc." as used in the preceding paragraph means obligations borne as part of the Clearing Services for Interbank Funds Transfer to a Clearing Participant by way of assumption, novation, or other methods, claims against said Clearing Participant (limited to those having the same contents as said obligations) acquired as consideration for bearing said obligations, and security of said claims.

(3) In bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings, the claims prescribed in paragraph (1) that a Clearing Institution for Interbank Funds Transfer has shall be bankruptcy claims, rehabilitation claims, or reorganization claims, and the claims prescribed in said paragraph that a Clearing Participant has shall be the property that belongs to the

bankruptcy estate, rehabilitation debtor's assets, the property of the corporation in need of reorganization, or the property of the cooperative financial institution in need of reorganization.

(Confidentiality Obligations, etc.)

Article 74 (1) A Director, etc. (or, if a Director, etc. is a corporation, a person who is to perform such duties; the same shall apply in the following paragraph) or an employee of a Clearing Institution for Interbank Funds Transfer, or a person who was formerly in such position shall not divulge to another person or misappropriate any confidential information learned during the course of duties relating to the Clearing Services for Interbank Funds Transfer or other business related thereto.

(2) A Director, etc. or an employee of a Clearing Institution for Interbank Funds Transfer, or a person who was formerly in such position must not use any information learned during the course of duties relating to the Clearing Services for Interbank Funds Transfer or other business related thereto for purposes other than providing for use of the Clearing Services for Interbank Funds Transfer or other business related thereto.

(3) The provisions of the preceding two paragraphs shall apply mutatis mutandis to a person to whom business is entrusted pursuant to the provisions of Article 70 (1) (or, if such person is a corporation, its officers) or said person's employees and other persons who engage in said entrusted business, or persons who were formerly in such position.

(Prohibition of Discriminatory Treatment)

Article 75 A Clearing Institution for Interbank Funds Transfer must not provide unjust discriminatory treatment to a particular person in relation to the Clearing Services for Interbank Funds Transfer.

Section 3 Supervision

(Authorization of Amendment of the Articles of Incorporation or Rules and Procedures of Operation)

Article 76 When a Clearing Institution for Interbank Funds Transfer intends to amend the articles of incorporation or rules and procedures of operation, it must obtain the authorization of the Prime Minister.

(Notification of Change of Amount of the Stated Capital, etc.)

Article 77 When there has been a change in any of the particulars set forth in Article 65 (1) (ii) (excluding the amount of net assets) or items (iii) through (v) of said paragraph, a Clearing Institution for Interbank Funds Transfer must

notify the Prime Minister to that effect without delay.

(Books and Documents)

Article 78 A Clearing Institution for Interbank Funds Transfer must, pursuant to the Cabinet Office Ordinance provisions, prepare and maintain the books and documents on its Clearing Services for Interbank Funds Transfer.

(Reports)

Article 79 A Clearing Institution for Interbank Funds Transfer must, pursuant to the Cabinet Office Ordinance provisions, prepare a written report on its Clearing Services for Interbank Funds Transfer for each business year and submit it to the Prime Minister.

(On-site Inspections, etc.)

Article 80 (1) When the Prime Minister finds it necessary for the proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer, the Prime Minister may order said Clearing Institution for Interbank Funds Transfer to submit reports or materials that will be helpful for understanding its business or property, or have officials enter the business office, office or other establishment of said Clearing Institution for Interbank Funds Transfer, inquire about the status of its business or property or inspect its books and documents or other items.

(2) When the Prime Minister finds it particularly necessary for the proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer, the Prime Minister may, within the necessary limits, order a person to whom business has been entrusted by said Clearing Institution for Interbank Funds Transfer to submit reports or materials that will be helpful for understanding the business or property of said Clearing Institution for Interbank Funds Transfer, or have officials enter the business office, office or other establishment of said person to whom business has been entrusted by said Clearing Institution for Interbank Funds Transfer, inquire about the status of its business or property of said Clearing Institution for Interbank Funds Transfer or inspect its books and documents or other items.

(3) A person to whom business has been entrusted by a Clearing Institution for Interbank Funds Transfer referred to in the preceding paragraph may, if there are justifiable grounds, refuse the submission of reports or materials, or the inquiry or inspection pursuant to the provision of said paragraph.

(Order to Improve Business Operation)

Article 81 When the Prime Minister finds it necessary for the proper and secure provision/conducting of the Clearing Services for Interbank Funds Transfer,

the Prime Minister may, within the limits necessary, order a Clearing Institution for Interbank Funds Transfer to take necessary measures to improve the operation of said business or its financial conditions or other measures necessary for the purpose of supervision.

(Rescission of Licenses, etc.)

Article 82 (1) When a Clearing Institution for Interbank Funds Transfer is found to have already fallen under any of the items of Article 66 (2) when it obtained a license, the Prime Minister may rescind the license.

(2) The Prime Minister may, when a Clearing Institution for Interbank Funds Transfer violates this Act or an order issued pursuant to this Act, or a disposition given pursuant thereto, rescind the license under Article 64 (1) or the approval under the proviso to Article 69 (1), order suspension of all or part of the business of the Clearing Institution for Interbank Funds Transfer specifying a period not exceeding six months, or order the Clearing Institution for Interbank Funds Transfer to dismiss its Directors, etc.

Section 4 Miscellaneous Provisions

(Authorization of Dissolution, etc.)

Article 83 A resolution of abolition or dissolution of a Clearing Institution for Interbank Funds Transfer shall not come into effect without the authorization of the Prime Minister.

(Consultation with Minister of Finance)

Article 84 The Prime Minister must, when finding that maintenance of an orderly financial system may be materially affected the Prime Minister imposes one of the following dispositions on a Clearing Institution for Interbank Funds Transfer as intended by the Prime Minister, consult in advance with the Minister of Finance about measures necessary for maintaining of an orderly financial system:

- (i) Rescission of the license under Article 64 (1) pursuant to the provisions of Article 82 (1) or (2); or
- (ii) Order to suspend all or part of the business pursuant to the provisions of Article 82 (2).

(Notice to Minister of Finance)

Article 85 The Prime Minister shall, when giving any of the following dispositions, promptly notify the Minister of Finance to that effect;

- (i) Granting of a license under Article 64 (1);
- (ii) Rescission of the license under Article 64 (1) pursuant to the provisions of

- Article 82 (1) or (2);
- (iii) Order to suspend all or part of the business pursuant to the provisions of Article 82 (2), or
- (iv) Granting of authorization under Article 83.

(Hearing of the Opinion of the Bank of Japan)

Article 86 When the Prime Minister finds it necessary for giving a disposition pursuant to the provisions of this Chapter, the Prime Minister may request a hearing of opinions from the Bank of Japan.

Chapter V Certified Association for Payment Service Providers

(Certification of Certified Association for Payment Service Providers)

Article 87 The Prime Minister may, pursuant to Cabinet Order provisions, certify a general incorporated association established by an Issuer of Prepaid Payment Instruments or a Funds Transfer Service Provider that is found to satisfy the following requirements as a person permitted to engage in the businesses prescribed in the following Article (hereinafter referred to as "Certified Businesses" in this Chapter) upon said person's application:

- (i) The general incorporated association shall aim at ensuring the proper provision/conducting of the business of issuing Prepaid Payment Instruments (meaning Prepaid Payment Instruments provided for in Article 3 (1); the same shall apply hereinafter in this Chapter) or the Funds Transfer Service as well as contributing to the sound development of these businesses and protection of the interests of the users (including member shops provided for in Article 10 (1) (iv); hereinafter the same shall apply in this Chapter);
- (ii) The general incorporated association's articles of incorporation shall include a provision to the effect that its members (hereinafter referred to as "Members" in this Chapter) shall be Issuers of Prepaid Payment Instruments or Funds Transfer Service Providers;
- (iii) The general incorporated association shall have established the method for business operations necessary for the proper and secure provision/conducting of the Certified Businesses; and
- (iv) The general incorporated association shall have the knowledge, ability, and financial basis sufficient for the proper and secure provision/conducting of the Certified Businesses.

(Business of Certified Association for Payment Service Providers)

Article 88 A Certified Association for Payment Service Providers shall engage in the following businesses:

- (i) The business of providing guidance, recommendation, etc. to Members for

the purpose of causing Members to comply with provisions of this Act and other laws and regulations and rules prescribed in item (iii) in carrying out their business of issuing Prepaid Payment Instruments or Funds Transfer Service;

- (ii) The business of providing guidance, recommendation, etc. to Members in relation to their business of issuing Prepaid Payment Instruments or Funds Transfer Service that is necessary for ensuring the appropriateness of the terms and conditions of contracts or otherwise protecting the interests of users of the business of issuing Prepaid Payment Instruments or the Funds Transfer Service;
- (iii) Establishment of the rules that are necessary for the appropriate management of the business of issuing Prepaid Payment Instruments or the Funds Transfer Service carried out by Members and information used in these businesses;
- (iv) Investigation of the status of compliance with this Act or an order issued pursuant to this Act or a disposition given pursuant thereto, or the rules prescribed in the preceding item;
- (v) Collection, arrangement, and provision of information necessary for the protection of the interests of users of the business of issuing Prepaid Payment Instruments or the Funds Transfer Service;
- (vi) Handling of complaints from users related to the business of issuing Prepaid Payment Instruments or the Funds Transfer Service carried out by Members;
- (vii) Publicity to the users of Prepaid Payment Instruments or the Funds Transfer Service and other businesses necessary for the achievement of the purposes of the Certified Association for Payment Service Providers; and
- (viii) In addition to those listed in the preceding items, businesses that contribute to the sound development of the business of issuing Prepaid Payment Instruments or the Funds Transfer Service and the protection of the users of these businesses.

(Public Inspection, etc. of the Membership List)

Article 89 (1) A Certified Association for Payment Service Providers must make the membership list available for public inspection.

- (2) No person other than a Certified Association for Payment Service Providers shall use a name containing wording that is likely to mislead the public into believing that the person is a Certified Association for Payment Service Providers.
- (3) No person other than a Member of a Certified Association for Payment Service Providers may use a name containing wording that is likely to mislead the public into believing that the person is a Member of a Certified Association

for Payment Service Providers.

(Making Information about Members Known to the Users, etc.)

Article 90 (1) A Certified Association for Payment Service Providers whose members are Issuers of Prepaid Payment Instruments must, upon request from an Issuer of Prepaid Payment Instruments for making the particulars listed in Article 13 (1) (iv) and (v) public to the users of said Prepaid Payment Instruments, make said particulars public to the users.

(2) A Certified Association for Payment Service Providers must have the ability to provide the users of Prepaid Payment Instruments or the Funds Transfer Service with the portion of the information provided by the Prime Minister pursuant to the provisions of Article 97 that contributes to the protection of said users.

(Responses to Complaints from Users)

Article 91 (1) When a user of Prepaid Payment Instruments or the Funds Transfer Service files an application for resolution of a complaint concerning the business of issuing Prepaid Payment Instruments or the Funds Transfer Service carried out by a Member, a Certified Association for Payment Service Providers must respond to a request for consultation, provide necessary advice to the applicant, investigate the circumstances pertaining to such complaint, and notify said Member of the contents of such complaint and demand that said Member should process the complaint expeditiously.

(2) When a Certified Association for Payment Service Providers finds it necessary for resolving the complaint pertaining to an application under the preceding paragraph, it may demand that the relevant Member should provide a written or oral explanation or submit materials.

(3) When there has been a demand under the preceding paragraph from a Certified Association for Payment Service Providers, a Member must not refuse the demand without justifiable grounds for doing so.

(4) A Certified Association for Payment Service Providers must make public to its Members any applications under paragraph (1), circumstances pertaining to said complaints, and the outcome of any resolution.

(5) In cases where a Certified Association for Payment Service Providers is designated as such under Article 99 (1), if the application filed under paragraph (1) is related to complaints concerning Funds Transfer Service, the provisions of paragraph (1) shall not apply.

(Reports to Certified Associations for Payment Service Providers, etc.)

Article 92 (1) When a Member obtains information about the acts of an Issuer of Prepaid Payment Instruments or Funds Transfer Service Provider that impairs

the protection of users and other information necessary for the protection of the interests of users as specified by Cabinet Office Ordinance, it must report it to the Certified Association for Payment Service Providers to which it belongs.

- (2) Upon receipt of a request from a Member to provide the information obtained pursuant to the provisions of the preceding paragraph, a Certified Association for Payment Service Providers must provide the Member with said information except in the case where there are justifiable grounds for refusing the request.

(Confidentiality Obligation, etc.)

Article 93 (1) An officer or an employee of a Certified Association for Payment Service Providers, or a person who was formerly in such position shall not divulge to another person or misappropriate any confidential information learned during their course of duties.

- (2) An officer or an employee of a Certified Association for Payment Service Providers, or a person who was formerly in such position must not use any information learned during their course of duties for purposes other than providing for use of the Certified Businesses.

(Particulars Which Must be Stated in Articles of Incorporation)

Article 94 In addition to the particulars listed in items of Article 11 (1) of the Act on General Incorporated Association and General Incorporated Foundation and a provision of the articles of incorporation prescribed in Article 87 (ii), a Certified Association for Payment Service Providers must stipulate in its articles of incorporation that in the event that its Member violates this Act or an order issued pursuant to this Act or a disposition given pursuant thereto, or the rules prescribed in Article 88 (iii), the Certified Association for Payment Service Providers will suspend or restrain the rights granted to the Member under the articles of incorporation, or expel the Member from the association.

(On-site Inspections, etc.)

Article 95 The Prime Minister may, within the limits necessary for the enforcement of this Act, order a Certified Association for Payment Service Providers to submit reports or materials that will be helpful for understanding its business or property, or have officials enter the office of said Certified Association for Payment Service Providers, inquire about the status of its business or property or inspect its books and documents or other items.

(Supervisory Order to Certified Association for Payment Service Providers)

Article 96 (1) When the Prime Minister finds it necessary to improve operations of the Certified Businesses carried out by a Certified Association for Payment

Service Providers, the Prime Minister may, within the limit necessary for the enforcement of this Act, order the Certified Association for Payment Service Providers to take necessary measures for improving its operations.

- (2) When operations of a business carried out by a Certified Association for Payment Service Providers violate this Act or an order issued pursuant to this Act or a disposition given pursuant thereto, the Prime Minister may rescind its certification or order the Certified Association for Payment Service Providers to suspend all or part of its business specifying a period of suspension not exceeding six months.

(Provision of Information to Certified Association for Payment Service Providers)

Article 97 The Prime Minister may, in response to a request from a Certified Association for Payment Service Providers and within the limit necessary for ensuring the proper provision/conducting of Certified Businesses by the Certified Association for Payment Service Providers, provide the Certified Association for Payment Service Providers with information pertaining to an Issuer of Prepaid Payment Instruments or Funds Transfer Service Providers that contributes to the Certified Businesses as specified by Cabinet Office Ordinance.

(Public Notice)

Article 98 When the Prime Minister has granted certification under Article 87 has rescinded said certification pursuant to the provisions of Article 96 (2), or has ordered suspension of all or part of the Certified Businesses, the Prime Minister must give public notice to that effect, pursuant to the Cabinet Office Ordinance provisions.

Chapter VI Designated Dispute Resolution Organization

(Designation of a Person Permitted to Engage in the Business of Dispute Resolution, etc.)

Article 99 (1) The Prime Minister may designate a person satisfying the following requirements as a person permitted to engage in the business of dispute resolution, etc. (meaning the business of executing complaint handling procedures (meaning the procedures for handling complaints concerning the Funds Transfer Service) and dispute resolution procedures (meaning the procedures for resolution of a dispute concerning the Funds Transfer Service between parties who agree to seek a settlement without using litigation; hereinafter the same shall apply in this Chapter except in paragraph (3) of the following Article) and other businesses incidental thereto; hereinafter the same

shall apply in this paragraph) upon said person's application:

- (i) The person shall be a corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated, but excluding a corporation established under the laws and regulations of a foreign state and other foreign organizations; the same shall apply in item (iv) (d));
- (ii) The person shall not be a person who had its designation under this paragraph rescinded pursuant to the provisions of paragraph (1) of the following Article and for whom five years have not passed since the date of the rescission or a person who had its designation under the provisions of another Act rescinded that is one pertaining to a business equivalent to the business of dispute resolution, etc. as specified by Cabinet Order and for whom five years have not passed since the date of the rescission;
- (iii) The person shall not be a person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Attorney Act (Act No. 205 of 1949), or laws and regulations of a foreign state equivalent thereto, and for whom five years have not passed since the day when the execution of the punishment terminated or the person became free from the execution of the punishment;
- (iv) None of the officers of the person shall fall under any of the following items:
 - (a) A person who is an adult ward or a person under curatorship, or a person equivalent thereto under laws and regulations of a foreign state;
 - (b) A person who has not had rights restored after receiving a ruling of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
 - (c) A person who has received punishment that is heavier than imprisonment without labor (including equivalent punishment under laws and regulations of a foreign state), and for whom five years have not passed since either execution of the sentence or the cessation of being subject to its execution;
 - (d) In cases where a corporation had its designation under this paragraph rescinded pursuant to the provisions of paragraph (1) of the following Article or a corporation had its administrative disposition similar to said designation rescinded that had been granted in a foreign state pursuant to the provisions of laws and regulations of said foreign state equivalent to this Act, a person who had been an officer (including a person who are treated in the same manner under laws and regulations of a foreign state; the same shall apply in (d)) of such corporation at any time during the one month prior to the date of the rescission and for whom five years have not

passed since that date; or in cases where a corporation had its designation under the provisions of another Act rescinded that is one pertaining to a business equivalent to the business of dispute resolution, etc. as specified by Cabinet Order or a corporation had its administrative disposition similar to a designation specified by said Cabinet Order rescinded that had been granted in a foreign state pursuant to the provisions of laws and regulations of said foreign state equivalent to said other Act, a person who had been an officer of such corporation at any time during the one month prior to the date of the rescission and for whom five years have not passed since that date; or

- (e) A person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Attorney Act, or laws and regulations of a foreign state equivalent thereto, and for whom five years have not passed since the day when the execution of the punishment terminated or the person became free from the execution of the punishment;
- (v) The person shall have sufficient accounting and technical basis to ensure proper execution of the business of dispute resolution, etc.;
- (vi) The composition of the officers or employees of the person shall involve no risk of causing hindrance to fair execution of the business of dispute resolution, etc.;
- (vii) Rules concerning the execution of the business of dispute resolution, etc. (hereinafter referred to as "Operational Rules" in this Chapter) shall be found to conform with laws and regulations and be sufficient to ensure fair and proper execution of the business of dispute resolution, etc. pursuant to the provisions of this Act; and
- (viii) As a result of a hearing of opinions conducted pursuant to the provisions of the following paragraph, the proportion of the number of Funds Transfer Service Providers who stated an objection (limited to one to which reasonable grounds are attached) to particulars concerning the cancellation of the basic contract for execution of procedures (meaning a contract that governs the execution of the business of dispute resolution, etc.; hereinafter the same shall apply in this Chapter) and other terms and conditions of the basic contract for execution of procedures (excluding particulars listed in items of Article 52-67 (2) of the Banking Act as applied mutatis mutandis by replacing certain terms pursuant to Article 101 (1)) and other contents of the Operational Rules (excluding particulars required to be included in the contents of the Operational Rules by the provisions of Article 52-67 (3) of said Act as applied mutatis mutandis by replacing certain terms pursuant to Article 101 (1) and particulars necessary for satisfying the criteria listed in

the items of Article 52-67 (4) of said Act and paragraph (5) (i) of said Article as applied mutatis mutandis by replacing certain terms pursuant to Article 101 (1)) to the total number of Funds Transfer Service Providers was not more than a proportion specified by Cabinet Order.

- (2) A person intending to make an application under the preceding paragraph must, pursuant to the Cabinet Office Ordinance provisions, provide Funds Transfer Service Providers with an explanation about the contents of the Operational Rules in advance, conduct a hearing of their opinions with regard to whether there is any objection to said contents (including grounds for objection in cases where there is any objection), and prepare a document containing the results of the hearing.
- (3) When the Prime Minister intends to grant a designation under paragraph (1), the Prime Minister must consult with the Minister of Justice in advance with regard to the conclusion that the applicant satisfies the requirements listed in items (v) through (vii) of said paragraph (limited to the portion pertaining to the business of executing dispute resolution procedures, and with regard to the requirements listed in said items, limited to those pertaining to the criteria listed in items of Article 52-67 (4) of the Banking Act and items of paragraph (5) of said Article as applied mutatis mutandis by replacing certain terms pursuant to Article 101 (1)).
- (4) When the Prime Minister granted a designation pursuant to the provisions of paragraph (1), the Prime Minister must give public notice to that effect pursuant to the Cabinet Office Ordinance provisions.

(Rescission of Designations, etc.)

Article 100 (1) When a Designated Dispute Resolution Organization falls under any of the following items, the Prime Minister may rescind its designation under paragraph (1) of the preceding Article or order the Designated Dispute Resolution Organization to suspend all or part of its business specifying a period of suspension not exceeding six months:

- (i) When the Designated Dispute Resolution Organization no longer satisfies the requirements listed in items (ii) through (vii) of paragraph (1) of the preceding Article or is found not to have satisfied any of the items of said paragraph when the designation was granted;
 - (ii) When the Designated Dispute Resolution Organization has obtained the designation under paragraph (1) of the preceding Article through wrongful means; or
 - (iii) When the Designated Dispute Resolution Organization has violated laws and regulations or a disposition given pursuant thereto.
- (2) In cases where a Designated Dispute Resolution Organization falls under any of the following items, when the Prime Minister intends to give a disposition or

issue an order pursuant to the provisions of the preceding paragraph, the Prime Minister must consult with the Minister of Justice in advance:

- (i) When the Designated Dispute Resolution Organization no longer satisfies the requirements listed in items (v) through (vii) of paragraph (1) of the preceding Article (limited to the portion pertaining to the business of executing dispute resolution procedures, and with regard to the requirements listed in said items, limited to those pertaining to the criteria listed in items of Article 52-67 (4) of the Banking Act and items of paragraph (5) of said Article as applied mutatis mutandis by replacing certain terms pursuant to paragraph (1) of the following Article; hereinafter the same shall apply in this item) or when the Designated Dispute Resolution Organization is found not to have satisfied any of items (v) through (vii) of paragraph (1) of the preceding Article when the designation under said paragraph was granted; or
 - (ii) When the Designated Dispute Resolution Organization has violated the provisions of Article 52-65, Article 52-66, Article 52-69, or Article 52-73 of the Banking Act as applied mutatis mutandis by replacing certain terms pursuant to paragraph (1) of the following Article (limited to cases where the violation pertains to the business of executing dispute resolution procedures).
- (3) A person who has had its designation under paragraph (1) of the preceding Article rescinded pursuant to the provisions of paragraph (1) or has received an order to suspend all or part of its business must, within two weeks from the date of said disposition or order, notify the parties to whom the complaint handling procedures or dispute resolution procedures prescribed in Article 52-83 (3) of the Banking Act as applied mutatis mutandis by replacing certain terms pursuant to paragraph (1) of the following Article are being executed as of the date of said disposition or order, Funds Transfer Service Providers other than said parties who are the other parties to the basic contract for execution of procedures, and other Designated Dispute Resolution Organizations to the effect that it has received said disposition or order.
- (4) When the Prime Minister has rescinded the designation under paragraph (1) of the preceding Article pursuant to the provisions of paragraph (1) or has ordered suspension of all or part of the relevant business, the Prime Minister must give public notice to that effect, pursuant to the Cabinet Office Ordinance provisions.

(Application Mutatis Mutandis of the Provisions of the Banking Act to Designated Dispute Resolution Organizations)

Article 101 (1) The provisions of Article 2 (19) through Article 2 (22) and Article 52-63 through Article 52-83 of the Banking Act (including the penal provisions pertaining to these provisions; referred to as "Banking Act Provisions" in the

following paragraph) shall apply mutatis mutandis to Designated Dispute Resolution Organizations. In this case, except in the cases specified in the following paragraph, the terms in these provisions listed in the left-hand column of the table below shall be deemed to be replaced with the terms listed in the right-hand column of said table:

complaints related to the Banking Business	complaints related to the Funds Transfer Service
disputes related to the Banking Business	disputes related to the Funds Transfer Service
participating Banks	participating Funds Transfer Service Providers
customers	users

(2) In cases where the Banking Act Provisions are applied mutatis mutandis to Designated Dispute Resolution Organizations, the terms or phrases listed in the middle column of the table below that appear in the Banking Act Provisions as listed in the left-hand column of that table shall be deemed to be replaced with the corresponding terms or phrases listed in the right-hand column of that table; and any other necessary technical replacement of terms shall be specified by Cabinet Order:

Article 52-63(1)	paragraph (1) of the preceding Article	Article 99(1) of the Payment Services Act
Article 52-63(2)(i)	paragraph (1)(iii) of the preceding Article	Article 99(1)(iii) of the Payment Services Act
Article 52-63(2)(vi)	paragraph (2) of the preceding Article	Article 99(2) of the Payment Services Act
Article 52-73(3)(ii)	Banking Business	business pertaining to funds transfer transactions (Kawase transactions)
Article 52-74(2)	designation under Article 52-62(1) has been rescinded pursuant to Article 52-84(1)	designation under Article 99(1) of the Payment Services Act has been rescinded pursuant to Article 100(1) of said Act
	Article 52-84(3)	Article 100(3) of said Act
Article 52-82(2)(i)	Article 52-62(1)(v)	Article 99(1)(v) of the Payment Services Act

Chapter VII Miscellaneous Provisions

(Carrying of Certificate by Inspection Officials)

Article 102 (1) Inspection officials who conduct on-site inspections pursuant to

the provisions of Article 24 (1) or (2), Article 54 (1) or (2), Article 80 (1) or (2), or Article 95 must carry a certificate of identification on their person and present it when requested by any person concerned.

- (2) The authority to conduct on-site inspection under the provisions prescribed in the preceding paragraph must not be interpreted as being granted for the purpose of criminal investigation.

(Submission of Materials, etc. to the Minister of Finance)

Article 103 (1) When the Minister of Finance finds it necessary for planning or drafting systems pertaining to an Issuer of Prepaid Payment Instruments, Funds Transfer Service Providers, or Clearing Institution for Interbank Funds Transfers, in relation to a system for disposal of failed financial institutions and financial risk management under the minister's jurisdiction, the minister may request the Prime Minister to provide necessary materials and explanation therefor.

- (2) When and to the extent the Minister of Finance finds it particularly necessary for planning or drafting systems pertaining to an Issuer of Prepaid Payment Instruments, Funds Transfer Service Providers, or Clearing Institution for Interbank Funds Transfers, in relation to a system for disposal of failed financial institutions and financial risk management under the minister's jurisdiction, the minister may request an Issuer of Prepaid Payment Instruments, Funds Transfer Service Providers, Clearing Institution for Interbank Funds Transfers, Certified Association for Payment Service Providers, or any other persons concerned to provide materials and explanation therefor as well as other forms of cooperation.

(Delegation of Authority)

Article 104 (1) The Prime Minister shall delegate authority under this Act (excluding that specified by a Cabinet Order) to the Commissioner of the Financial Services Agency.

- (2) The Commissioner of the Financial Services Agency may, pursuant to Cabinet Order provisions, delegate part of the authority that has been delegated pursuant to the provisions of the preceding paragraph to the Director-Generals of Local Finance Bureaus or Local Finance Branch Bureaus.

(Delegation to Cabinet Office Ordinance)

Article 105 In addition to those prescribed by this Act, other particulars necessary for the enforcement of this Act shall be specified by Cabinet Office Ordinance.

(Transitional Measures)

Article 106 In cases where an order is established, revised or abolished based on the provision of this Act, transitional measures necessary (including transitional measures concerning penal provisions) may be prescribed in said order, to the extent considered reasonably necessary for establishment, revision or abolition of said order.

Chapter VIII Penal Provisions

Article 107 Any person who falls under any of the following items shall be punished by imprisonment with required labor for not more than three years or by a fine of not more than three million yen, or both:

- (i) A person who has conducted the business of issuing Prepaid Payment Instruments for Third-Party Business (meaning Prepaid Payment Instruments for Third-Party Business prescribed in Article 3 (5); the same shall apply in item (iii)) without obtaining registration under Article 7;
- (ii) A person who has obtained registration under Article 7 or Article 37 through wrongful means;
- (iii) A person who has, in violation of the provisions of Article 12, made another person conduct the business of issuing Prepaid Payment Instruments for Third-Party Business;
- (iv) A person who has, in violation of the provisions of Article 42, had another person conduct the Funds Transfer Service;
- (v) A person who has, in violation of Article 64 (1), conducted the Clearing Services for Interbank Funds Transfer without obtaining a license from the Prime Minister; or
- (vi) A person who has obtained a license under Article 64 (1) through wrongful means.

Article 108 Any person who falls under any of the following items shall be punished by imprisonment with required labor for not more than two years or by a fine of not more than three million yen, or both:

- (i) A person who violated an order to suspend all or part of the Funds Transfer Service pursuant to the provisions of Article 56 (1);
- (ii) A person who violated an order to suspend all or part of the business pursuant to the provisions of Article 82 (2); or
- (iii) A person who violated an order to suspend all or part of the business pursuant to the provisions of Article 96 (2).

Article 109 Any person who falls under any of the following items shall be punished by imprisonment with required labor for not more than one year or by a fine of not more than three million yen, or both:

- (i) A person who has, in violation of Article 43 (1), failed to make a deposit;
- (ii) A person who has, in violation of an order under Article 46, failed to make a deposit;
- (iii) A person who has failed to prepare or maintain the books and documents under Article 52 or Article 78, or has prepared false books or documents;
- (iv) A person who has failed to submit the written reports under Article 53 (1) or (2) or Article 79 or the attached documents under Article 53 (3) or has submitted false reports or attached documents;
- (v) A person who has failed to submit reports or materials under Article 54 (1) or (2) or Article 80 (1) or (2), or has submitted false reports or materials;
- (vi) A person who has failed to answer or has given a false answer to the questions asked by the officials under Article 54 (1) or (2) or Article 80 (1) or (2), or has refused, hindered or avoided the inspection under these provisions;
- (vii) A person who has failed to give a public notice under Article 61 (3) or who has given a false public notice; or
- (viii) A person who has made false statements in and submitted the written application for license under Article 65 (1) or the attached documents under paragraph (2) of said Article.

Article 110 A person who violated an order to suspend all or part of the business under Article 26 or Article 27 (1) shall be punished by imprisonment with required labor for not more than one year or a fine of not more than one million yen, or both.

Article 111 A person who violated the provisions of Article 74 (1) or (2) (including the cases where these provisions are applied *mutatis mutandis* pursuant to paragraph (3) of said Article) or Article 93 shall be punished by imprisonment with required labor for not more than one year or a fine of not more than five hundred thousand yen.

Article 112 Any person who falls under any of the following items shall be punished by imprisonment with required labor for not more than six months or by a fine of not more than five hundred thousand yen, or both:

- (i) A person who has failed to submit the written notice under Article 5 (1) or the attached documents under paragraph (2) of said Article or has submitted a false written notice or attached documents;
- (ii) A person who has made false statements in and submitted the written application for registration under Article 8 (1) or the attached documents under paragraph (2) of said Article or the written application for registration under Article 38 (1) or the attached documents under paragraph (2) of said

Article;

- (iii) A person who has, in violation of Article 14 (1) or (2), failed to make a deposit;
- (iv) A person who has, in violation of an order under Article 17, failed to make a deposit;
- (v) A person who has failed to prepare or maintain the books and documents under Article 22, or has prepared false books or documents;
- (vi) A person who has failed to submit the written reports under Article 23 (1) or the attached documents under paragraph (2) of said Article or has submitted false reports or attached documents;
- (vii) A person who has failed to submit reports or materials under Article 24 (1) or (2), or has submitted false reports or materials;
- (viii) A person who has failed to answer or has given a false answer to the questions asked by the officials under Article 24 (1) or (2), or has refused, hindered or avoided the inspection under these provisions;
- (ix) A person who has failed to submit reports or materials under Article 95, or has submitted false reports or materials; or
- (x) A person who has failed to answer or has given a false answer to the questions asked by the officials under Article 95, or has refused, hindered or avoided the inspection under said Article;

Article 113 A person who violated an order under Article 55, Article 81, or Article 96 (1) shall be punished by a fine of not more than one million yen.

Article 114 Any person who falls under any of the following items shall be punished by a fine of not more than three hundred thousand yen:

- (i) A person who has failed to make a notification under Article 5 (3), Article 11 (1), or Article 41 (1), or made a false notification;
- (ii) A person who has failed to provide indication or information under Article 13 (1) or (2), or has provided false indication or information;
- (iii) A person who has violated an order under Article 25;
- (iv) A person who has failed to submit the written notice under Article 30 (2) or the attached documents under paragraph (3) of said Article or has submitted a false written notice or attached documents;
- (v) A person who has failed to make a notification under Article 30 (4) or has made a false notification;
- (vi) A person who, in violation of Article 955 (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61 (7), has failed to state or record in an Investigation Record Book, etc. (meaning the Investigation Record Book, etc. prescribed in said paragraph; hereinafter the same shall apply in this item) the particulars specified by Ordinance of the Ministry of

- Justice concerning Electronic Public Notice Investigations prescribed in said paragraph, or has made a false statement or record, or has failed to maintain an Investigation Record Book, etc. in violation of the said paragraph;
- (vii) A person who has failed to make a notification under Article 69 (2) or Article 77, or has made a false notification;
 - (viii) A person who has violated the provisions of Article 76;
 - (ix) A person who, in violation of the provisions of Article 89 (3), has used in said person's name certain wording that is likely to mislead the public into believing that such person is a Member of a Certified Association for Payment Service Providers (meaning a Member prescribed in Article 87 (ii); the same shall apply hereinafter); or
 - (x) A person who has failed to make a notification under Article 100 (3) or has made a false notification.

Article 115 (1) Where the representative person or administrator of a corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated; hereinafter the same shall apply in this paragraph) or an agent, employee, or other worker of a corporation or individual has, with regard to the business of the corporation or individual, violated any of the provisions set forth in the following items, not only shall the offender be punished but also said corporation shall be punished by the fine prescribed in the respective items and said individual shall be punished by the fine prescribed in the Articles referred to in the respective items:

- (i) Article 108 (excluding item (iii)): A fine of not more than three hundred million yen;
 - (ii) Article 109 (excluding item (vii)): A fine of not more than two hundred million yen;
 - (iii) Article 110 or Article 112 (excluding items (i), (ii), (ix), and (x)): A fine of not more than one hundred million yen; and
 - (iv) Article 107, Article 108 (iii), Article 109 (vii), Article 112 (i), (ii), (ix) or (x), Article 113, or the preceding Article: A fine prescribed in the respective Articles.
- (2) In cases where the provisions of the preceding paragraph apply to an association or foundation without juridical personality, the representative person or administrator thereof shall represent the association or foundation without juridical personality with regard to the procedural act, and the provisions of Acts concerning criminal procedures where a corporation is the defendant or a suspect shall apply *mutatis mutandis*.

Article 116 Any person who falls under any of the following items shall be

punished by a non-criminal fine of not more than one million yen:

- (i) A person who has, in violation of Article 941 of the Companies Act as applied *mutatis mutandis* pursuant to Article 61 (7), failed to request an investigation under said Article;
- (ii) A person who has, in violation of Article 946 (3) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61 (7), failed to make a report or made a false report; or
- (iii) A person who has refused any one of the requests listed in the items of Article 951 (2) or the items of Article 955 (2) of the Companies Act as applied *mutatis mutandis* pursuant to Article 61 (7) without justifiable grounds for doing so.

Article 117 Any person who falls under any of the following items shall be punished by a non-criminal fine of not more than five hundred thousand yen:

- (i) A person who has failed to make a notification under Article 33 (1) or Article 61 (1) or (4), or made a false notification; or
- (ii) A person who has refused to make the membership list available for public inspection as prescribed in Article 89 (1) without justifiable grounds for doing so.

Article 118 Any person who falls under any of the following items shall be punished by a non-criminal fine of not more than one hundred thousand yen:

- (i) A person who has failed to make a notification under Article 14 (2) or has made a false notification; or
- (ii) A person who, in violation of the provisions of Article 89 (2), has used in said person's name certain wording which is likely to mislead the public into believing that such person is a Certified Association for Payment Service Providers.