

# 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 provide other necessary measures with respect to the issuance of Prepaid Payment Instruments, exchange transactions carried out by persons other than Deposit-Taking Institutions, Exchange of Virtual Currency, etc., and the clearing of exchange transactions between Deposit-Taking Institutions, in order to ensure the appropriate provision of payment services, and protection of the users, etc. thereof, and to promote the provision of those 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, paragraph (6) and an Issuer of Prepaid Payment Instruments for Third-Party Business as prescribed in Article 3, paragraph (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 Deposit-Taking Institutions 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 the same kind of registration as the one referred to in Article 37 pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act (including permission or other administrative dispositions similar to that registration).
- (5) The term "Virtual Currency" as used in this Act means any of the following:
- (i) property value (limited to that which is recorded on an electronic device or any other object by electronic means, and excluding the Japanese currency, foreign currencies, and Currency-Denominated Assets; the same applies in the following item) which can be used in relation to unspecified persons for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services and can also be purchased from and sold to unspecified persons acting as counterparties, and which can be transferred by means of an electronic data processing system; and
  - (ii) property value which can be mutually exchanged with what is set forth in the preceding item with unspecified persons acting as counterparties, and which can be transferred by means of an electronic data processing system.
- (6) The term "Currency-Denominated Assets" as used in this Act means assets

which are denominated in the Japanese currency or a foreign currency, or for which performance of obligations, refund, or anything equivalent thereto (hereinafter referred to as "performance of obligations, etc." in this paragraph) is supposed to be made in the Japanese currency or a foreign currency. In this case, assets for which performance of obligations, etc. is supposed to be made by means of Currency-Denominated Assets are deemed to be Currency-Denominated Assets.

- (7) The term "Virtual Currency Exchange Service" as used in this Act means carrying out any of the following acts in the course of trade, and the term "Exchange of Virtual Currency, etc." as used in this Act means the acts set forth in items (i) and (ii):
- (i) purchase and sale of a Virtual Currency or exchange with another Virtual Currency;
  - (ii) intermediary, brokerage or agency services for the act set forth in the preceding item; and
  - (iii) management of users' money or Virtual Currency, carried out by persons in connection with their acts set forth in the preceding two items.
- (8) The term "Virtual Currency Exchange Service Provider" as used in this Act means a person registered under Article 63-2.
- (9) The term "Foreign Virtual Currency Exchange Service Provider" as used in this Act means a person who carries out a Virtual Currency Exchange Service in the course of trade in a foreign state under the same kind of registration as the one referred to in Article 63-2, pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act (including permission or other administrative dispositions similar to that registration).
- (10) The term "Clearing Services for Interbank Funds Transfer" as used in this Act means acts of bearing obligations under exchange transactions arising between Deposit-Taking Institutions in the course of trade by way of the assumption of an obligation, novation or other means for the purpose of clearing claims and debts relating to the exchange transactions.
- (11) The term "Clearing Institution for Interbank Funds Transfer" as used in this Act means a person who has obtained the license under Article 64, paragraph (1).
- (12) 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.
- (13) The term "Designated Dispute Resolution Organization" as used in this Act means a person who has been designated as such under Article 99, paragraph (1).
- (14) The term "Dispute Resolution Services" as used in this Act means services involved in complaint processing procedures (meaning procedures for

processing complaints concerning Funds Transfer Services or Virtual Currency Exchange Services) and dispute resolution procedures (meaning procedures for resolving a dispute concerning Funds Transfer Services or Virtual Currency Exchange Services between parties who agree to seek a settlement without following litigation proceedings; hereinafter the same applies except in Article 100, paragraph (3)), as well as services incidental thereto.

- (15) The term "Category of Dispute Resolution Services" as used in this Act means whether Dispute Resolution Services are connected with funds transfer business (meaning businesses involved in exchange transactions carried out by a Funds Transfer Service Provider; the same applies in Article 51-2, paragraph (1), item (i)) or virtual currency exchange business (meaning businesses involved in any of the acts set forth in the items of paragraph (7) performed by a Virtual Currency Exchange Service Provider; the same applies in Article 63-12, paragraph (1), item (i)).
- (16) The term "Trust Company, etc." as used in this Act means a trust company or a foreign trust company that has obtained a license under Article 3 or Article 53, paragraph (1) of the Trust Business Act (Act No. 154 of 2004) or a financial institution that has obtained the authorization under Article 1, paragraph (1) of the Act on Concurrent Operation of Trust Business by a Financial Institution (Act No. 43 of 1943).
- (17) The term "Deposit-Taking Institutions" as used in this Act means any of the following persons:
- (i) a bank prescribed in Article 2, paragraph (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 credit union;
  - (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, paragraph (1), item (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, paragraph (1), item (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, paragraph (1), item (iii) of the Agricultural Cooperatives Act;
  - (xi) a fisheries cooperative that engages in the business set forth in Article 11,

- paragraph (1), item (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, paragraph (1), item (iv) of the Fisheries Cooperatives Act;
  - (xiii) a fishery processing cooperative that engages in the business set forth in Article 93, paragraph (1), item (ii) of the Fisheries Cooperatives Act;
  - (xiv) a federation of fishery processing cooperatives that engages in the business set forth in Article 97, paragraph (1), item (ii) of the Fisheries Cooperatives Act;
  - (xv) the Norinchukin Bank; and
  - (xvi) the Shoko Chukin Bank Limited.
- (18) 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).
- (19) 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 electronic or magnetic 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 the amount is found each time to be converted to and indicated as an amount expressed in another unit, include the number of that unit; the same applies hereinafter in this item and in paragraph (3)) recorded in the Certificate, etc. or recorded using electronic or magnetic means (meaning in electronic form, magnetic form, or any other form that is impossible to perceive through the

- human senses alone; the same applies 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 means;
- (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 electronic or magnetic means (including additions to the quantity of goods or services recorded in the Certificate, etc. by electronic or magnetic 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 those goods or services from the Issuer, etc. by way of presentation, delivery, notification, or other means.
- (2) The term "Unused Base Date Balance" as used in this Chapter means the amount calculated pursuant to the provisions of Cabinet Office Order 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 is available for the payment of consideration as of that 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 that Base Date pursuant to the provisions of Cabinet Office Order.
- (3) The term "Amount Available for Payment, etc." as used in this Chapter means the amount that is available for the payment of consideration at issuance of the Prepaid Payment Instruments prescribed in paragraph (1), item (i) or the quantity of goods or services that can be claimed at issuance of the Prepaid Payment Instruments prescribed in paragraph (1), item (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 Order with that issuer (hereinafter referred to as "Closely Related Persons" in item (v) of the following Article and Article 32); the same applies in this

paragraph) or those Prepaid Payment Instruments that can be used for the purpose of claiming the delivery or provision of those 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, paragraph (1) (excluding those who have submitted a written notice of discontinuation of the entire issuance business pursuant to the provisions of Article 33, paragraph (1) and have completed the refund prescribed in Article 20, paragraph (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 do 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 those 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 which are all Prepaid Payment Instruments for Own Business must, pursuant to the provisions of Cabinet Office Order, 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, paragraph (1)) for the first time since the commencement of the issuance of Prepaid Payment Instruments for Own Business. The same applies to cases in which the 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 cases 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 cases 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 the goods or services, that period or expiration date;
- (viii) content and means 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 Order.
- (2) Documents concerning finance and other documents specified by Cabinet Office Order 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 provisions of Cabinet Office Order, 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 those goods or services, that period or expiration date;
- (vii) content and means 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 Order.
- (2) A document in which the applicant pledges not to fall under any of the items of Article 10, paragraph (1), documents concerning finance, and other documents specified by Cabinet Office Order must be attached to the application for registration under the preceding paragraph.

(Register 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 register of Issuers of Prepaid Payment Instruments for Third-Party Business, except when the Prime Minister refuses the 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) If 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 register 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 its accompanying documents contain a false statement about important particulars, or lack 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 that 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 which has not taken necessary measures for ensuring that goods or services that one can purchase or lease, or which one can receive the delivery or provision of by using Prepaid Payment Instruments are not

- harmful to or pose any risk of being harmful 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 of by using Prepaid Payment Instruments or a provider of services of which one can receive the provision of by using Prepaid Payment Instruments; the same applies 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 which had its registration under Article 7 revoked pursuant to the provisions of Article 27, paragraph (1) or (2), or had the same kind of registration it had obtained in a foreign state (including permission or other administrative dispositions similar to that registration; the same applies in item (ix), (e)) revoked pursuant to the provisions of laws and regulations of that 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 applies in this paragraph), and for which three years have not passed since the date of the revocation;
  - (viii) a corporation which has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this; the same applies 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 an order of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
    - (c) a person who has been sentenced to imprisonment or heavier punishment (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 revoked pursuant to the provisions of Article 27, paragraph (1) or (2), or a corporation had the same kind of registration it had obtained in a foreign state revoked pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act, a person who was an officer of that corporation at any time during the thirty days prior to the date of the revocation and for whom three years have not passed since that date or a person specified by Cabinet Order as similar thereto.
- (2) If 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) If there has been a change in any of the particulars set forth in the items of Article 8, paragraph (1), the Issuer of Prepaid Payment Instruments for Third-Party Business must notify the Prime Minister to that effect without delay.
- (2) If the Prime Minister accepts a notification under the preceding paragraph, the Prime Minister must register the notified particulars in the register 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 Provision of Information, Making Security Deposits for Issuance, and Other Obligations**

(Provision of Information)

- Article 13 (1) When issuing Prepaid Payment Instruments, an Issuer of Prepaid Payment Instruments must, pursuant to the provisions of Cabinet Office Order, provide users with information on the following particulars:
- (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 those goods or services, that 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 Order.
- (2) Notwithstanding the provisions of the preceding paragraph, 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 the paragraph pertaining to that Issuer of Prepaid Payment Instruments or in other cases specified by Cabinet Office Order, the Issuer of Prepaid Payment Instruments is not required to provide information as prescribed in that paragraph with regard to those particulars.

(Making of Security Deposits for Issuance)

- Article 14 (1) If 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 Order, 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 that Unused Base Date Balance (hereinafter referred to as the "Required Amount of Deposit" in this Chapter).
- (2) If, due to completion of the procedure for the fulfillment of the right prescribed in Article 31, paragraph (1) or the occurrence of other issues, 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, paragraph (1); the same applies in Article 18, item (ii) and Article 23, paragraph (1), item (iii)) becomes short of the Required Amount of Deposit as of the Base Date immediately preceding the day on which those issues occurred (or the amount calculated as if the Prepaid Payment Instruments pertaining to those procedures did not exist in accordance with the method specified by Cabinet Office Order as of the Base Date immediately preceding the day on which the refund procedure prescribed in Article 20, paragraph (1) or the procedure for the fulfillment of the right prescribed in Article 31, paragraph (1) was completed), an Issuer of Prepaid Payment Instruments must, pursuant to the provisions of Cabinet Office Order, 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 Order (including transfer bonds prescribed in Article 278, paragraph (1) of the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001); the same applies in Article 16, paragraph (3)) may be deposited to fulfill the security deposit for issuance requirement. In this case, the appraised value of those bond certificates is determined pursuant to Cabinet Office Order provisions.

(Guarantee Contracts of Security Deposits for Issuance)

Article 15 If 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 an order by the Prime Minister; the same applies in this Chapter) and has notified the Prime Minister to that effect, pursuant to the provisions of 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 that guarantee contract of security deposit for issuance; the same applies in Article 17) limited to the period during which that contract remains in force.

(Trust Agreements of Security Deposits for Issuance)

Article 16 (1) If an Issuer of Prepaid Payment Instruments has concluded with a Trust Company, etc. a trust agreement of security deposit for issuance (meaning a trust agreement for which the purpose is to apply the trust property to assign a security deposit for issuance in response to an order by the Prime Minister and the provisions of which prescribe that the Trust Company, etc. is to carry out necessary acts including the management of the trust property for the achievement of the purpose of the trust; the same applies 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, limited to the period during which that trust property remains in existence pursuant to that trust agreement of security deposit for issuance.

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

(i) the beneficiaries of the trust agreement of security deposit for issuance must be the holders of Prepaid Payment Instruments issued by the Issuer of Prepaid Payment Instruments who is the party to that trust agreement of security deposit for issuance;

- (ii) an agent of the beneficiaries must be appointed;
  - (iii) a Trust Company, etc. must realize the trust property and deposit the proceeds thereof in response to an order by the Prime Minister; and
  - (iv) other particulars specified by Cabinet Office Order.
- (3) The type of trust property entrusted pursuant to a trust agreement of security deposit for issuance is to be limited to money, bank deposits and savings (limited to those specified by Cabinet Office Order), or national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order. In this case, the appraised value of those bond certificates is determined pursuant to Cabinet Office Order the provisions.

(Deposit Orders)

Article 17 If 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 agreement 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 the provisions of Cabinet Order, if any of the conditions specified in the following items are satisfied:

- (i) if the Unused Base Date Balance is not more than the Standard Amount;
- (ii) if the amount of the security deposit for issuance exceeds the Required Amount of Deposit;
- (iii) if the procedure for the fulfillment of the right prescribed in Article 31, paragraph (1) has been completed; and
- (iv) beyond what is set forth 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 Custody of Security Deposits for Issuance and Other Procedures)

Article 19 Beyond what is provided for in this Section, a change in the custody of security deposits for issuance 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 is prescribed by Cabinet Office Order and Ministry of Justice Order.

(Refunds to 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 those Prepaid Payment Instruments as specified by Cabinet Office Order:

(i) if the Issuer of Prepaid Payment Instruments has discontinued all or part of the business of issuing Prepaid Payment Instruments (excluding cases where the business has been succeeded by way of inheritance, transfer 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 revoked pursuant to the provisions of Article 27, paragraph (1) or (2); or

(iii) other cases specified by Cabinet Office Order.

(2) If an Issuer of Prepaid Payment Instruments intends to make a refund pursuant to the provisions of the preceding paragraph, the Issuer must give public notice of the following particulars and provide the information concerning those particulars to the holders of the Prepaid Payment Instruments subject to the refund, pursuant to the provisions of Cabinet Office Order:

(i) a statement to the effect that the refund is to be made;

(ii) a statement to the effect that the holders of the Prepaid Payment Instruments subject to the refund must state their claims within a certain period of not less than sixty days;

(iii) a statement to the effect that the holders of the Prepaid Payment Instruments who fail to state their claims within the period referred to in the preceding item must be excluded from the procedure for the refund; and

(iv) other particulars specified by Cabinet Office Order.

(3) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (iii)) and Article 940, paragraph (3) of the Companies Act (Act No. 86 of 2005) apply mutatis mutandis to cases where an Issuer of Prepaid Payment Instruments (limited to one that is a company) gives public notice under the preceding paragraph by way of Electronic Public Notice (meaning Electronic Public Notice prescribed in Article 2, item (xxxiv) of that Act; the same applies in the following paragraph). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(4) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (iii)) and Article 940, paragraph (3), Article 941, Article 946, Article 947, Article 951, paragraph (2), Article 953, and Article 955 of the Companies Act apply mutatis mutandis to cases where an Issuer of Prepaid Payment Instruments (limited to one that is a foreign company) gives public notice under paragraph (2) by way of Electronic Public Notice. In this case, any



necessary technical replacement of terms is specified by Cabinet Order.

- (5) 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 cases specified in the items of paragraph (1). However, this do 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 Order.

(Information Security Management)

Article 21 An Issuer of Prepaid Payment Instruments must, pursuant to the provisions of Cabinet Office Order, 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 that information.

(Complaint Processing Measures)

Article 21-2 An Issuer of Prepaid Payment Instruments must take necessary measures to appropriately and promptly process complaints from the users about the issuance and use of Prepaid Payment Instruments.

## **Section 5 Supervision**

(Books and Documents)

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

(Written Reports)

Article 23 (1) An Issuer of Prepaid Payment Instruments must, pursuant to the provisions of Cabinet Office Order, 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 that Unused Base Date Balance; and
- (iv) other particulars specified by Cabinet Office Order.

(2) Documents concerning finance and other documents specified by Cabinet Office Order 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) do 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)

- Article 24 (1) If 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 that 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 that 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 order a person to whom business has been entrusted by that Issuer of Prepaid Payment Instruments (including persons entrusted by that person (including those under multi-tier entrustment arrangements); hereinafter the same applies in this Article and Article 32) to submit reports or materials that will be helpful for understanding the business or property of the Issuer of Prepaid Payment Instruments, or have officials enter the business office, office or other establishment of a person to whom business has been entrusted by the Issuer of Prepaid Payment Instruments, inquire about the status of its business or property of the Issuer of Prepaid Payment Instruments or inspect its books and documents or other items, to the extent that the order is necessary.
- (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 reasonable grounds, refuse the submission of reports or materials, or the inquiry or inspection under that paragraph.

(Order to Improve Business Operations)

- Article 25 If 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 the limits necessary for the

protection of the interests of these users, order that Issuer of Prepaid Payment Instruments to take necessary measures to improve the operations of that business.

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

Article 26 If 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) 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 prescribed in Article 31, paragraph (1) pertaining to the Prepaid Payment Instruments issued by the Issuer of Prepaid Payment Instruments for Own Business is likely to be fulfilled, when the Prime Minister finds it necessary to prevent the spread of damage of the users of those Prepaid Payment Instruments.

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

Article 27 (1) If an Issuer of Prepaid Payment Instruments for Third-Party Business falls under any of the following items, the Prime Minister may revoke 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) the Issuer of Prepaid Payment Instruments for Third-Party Business comes to fall under any of the items of Article 10, paragraph (1);
  - (ii) the Issuer of Prepaid Payment Instruments for Third-Party Business has obtained the registration under Article 7 through wrongful means;
  - (iii) 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 prescribed in Article 31, paragraph (1) pertaining to the Prepaid Payment Instruments issued by the Third-Party Issue is likely to be fulfilled, when the Prime Minister finds it necessary to prevent the spread of damage of the users of those Prepaid Payment Instruments.
- (2) If 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 will give a public notice to that effect pursuant to the provisions of Cabinet Office Order and may revoke the registration of that Issuer of Prepaid Payment Instruments for Third-Party Business under Article 7 if it does not report within thirty days from the date of the public notice.

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

(Deletion of Registration)

Article 28 If the Prime Minister has revoked 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, paragraph (2), the Prime Minister must delete that registration.

(Public Notice of Supervisory Dispositions)

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

## **Section 6 Miscellaneous Provisions**

(Special Provisions for Base Date)

Article 29-2 (1) In cases where an Issuer of Prepaid Payment Instruments, pursuant to the provisions of Cabinet Office Order, submits to the Prime Minister a written notice containing a statement to the effect that the Issuer requests the provisions of this paragraph to be applied thereto and other particulars specified by Cabinet Office Order, with regard to the application of the provisions of Article 3, paragraph (2) to the Issuer of Prepaid Payment Instruments after the date of submission of the written notice, the provisions of this Chapter are applied by replacing the phrase "and September 30" in Article 3, paragraph (2) with ", June 30, September 30, and December 31". In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(2) In cases where an Issuer of Prepaid Payment Instruments to whom the provisions of the preceding paragraph are applied, pursuant to the provisions of Cabinet Office Order, submits to the Prime Minister a written notice containing a statement to the effect that the Issuer no longer requests the provisions of that paragraph to be applied thereto and other particulars

specified by Cabinet Office Order, the provisions of the preceding paragraph do not apply to the Issuer after the date of submission of the written notice (if the Record Period which contains the date of submission falls within the period from the day following the special base date (meaning June 31 and December 31 every year) to the next ordinary base date (meaning March 31 and September 30 every year; hereinafter the same applies in this paragraph)); provided, however, that this do not apply if the Issuer of Prepaid Payment Instruments submits another written notice referred to in that paragraph after the date of submission.

- (3) An Issuer of Prepaid Payment Instruments to whom the provisions of paragraph (1) are applied may submit a written notice referred to in the main clause of the preceding paragraph only on or after the day on which a period specified by Cabinet Order has passed since the date of submission of a written notice referred to in paragraph (1).
- (4) An Issuer of Prepaid Payment Instruments who has submitted a written notice referred to in the main clause of paragraph (2) may submit a written notice referred to in paragraph (1) only on or after the day on which a period specified by Cabinet Order has passed since the date of submission of a written notice referred to in the main clause of paragraph (2).

(Special Provisions Pertaining to Succession of 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, transfer of business, merger or company split, or for other reasons (excluding cases where the 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 that business exceeded the Standard Amount, the person other than an Issuer of Prepaid Payment Instruments is deemed to be an Issuer of Prepaid Payment Instruments for Own Business who has issued that Prepaid Payment Instruments for Own Business, and the provisions of this Act (excluding Article 5) applies to that 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 Article 5, paragraph (1), items (i) through (iv);
  - (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 Article 5, paragraph (1), items (vi) through (x) pertaining to the succeeded Prepaid Payment Instruments for Own Business.
- (3) Documents concerning finance and other documents specified by Cabinet Office Order must be attached to the written notice under the preceding paragraph.
- (4) If there has been a change in any of the particulars set forth in paragraph (2), item (ii) or item (iv), 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 Deposits for Issuance)

- Article 31 (1) Holders of Prepaid Payment Instruments 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 those 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 must state their claims to the Prime Minister within a certain period specified to be not less than sixty days and that they must be excluded from the procedures for the fulfillment of the right to the return of the security deposit for issuance pertaining to that public notice unless they state their claims within the notified period:
- (i) when a petition is filed for the fulfillment of the right prescribed 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 the provisions of Cabinet Office Order, entrust the administrative work related to the fulfillment of the right prescribed in paragraph (1) to a Deposit-Taking Institution or any other person specified by Cabinet Order (referred to as "Agents for a Local Finance Office in the Distribution of Security Deposits 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 a Local Finance Office in the Distribution of Security Deposits 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 a Local Finance Office in the Distribution of Security Deposits 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 entrusted business are deemed to be officials engaged in public service under laws and regulations.
- (6) Beyond what is provided in paragraph (2) through the preceding paragraph, particulars necessary for the fulfillment of the right prescribed in paragraph (1) are 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 that Issuer of Prepaid Payment Instruments is requested by the Prime Minister to extend necessary cooperation for the fulfillment of the right prescribed in paragraph (1) of the preceding Article pertaining to the Prepaid Payment Instruments issued by that Issuer of Prepaid Payment Instruments, that person is to endeavor to respond to the request.

(Notification of Discontinuation of Business)

- Article 33 (1) If 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, paragraph (2), item (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 that Issuer of Prepaid Payment Instruments for Third-Party Business under Article 7 ceases to be effective.

(Completion of Performance of Obligations Subsequent to Revocation of Registration)

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

the person who has been an Issuer of Prepaid Payment Instruments for Third-Party Business is 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 that person.

(Special Provisions for Deposit-Taking Institutions)

Article 35 The provisions of Article 14, paragraph (1) do 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 Foreign States)

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 Transfers**

#### **Section 1 General Provisions**

(Registration of Funds Transfer Service Provider)

Article 37 Notwithstanding the provisions of Article 4, paragraph (1) and Article 47, paragraph (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 the provisions of Cabinet Office Order, 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 In cases of a company with an audit and supervisory committee; director and executive officer In cases of a company with a nominating committee, etc.; and persons equivalent thereto under laws and regulations of a foreign state In cases of a Foreign Funds Transfer Service Provider; the same applies in Article 40, paragraph (1), item (x));



- (v) in cases of a company with accounting advisors, names of accounting advisors;
  - (vi) in cases 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 part of the Funds Transfer Service is entrusted to a third party, contents of the business pertaining to that 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 Order.
- (2) A document in which the applicant pledges not to 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 conduct of Funds Transfer Services, and other documents specified by Cabinet Office Order must be attached to the application for registration under the preceding paragraph.

(Register of Funds Transfer Service Providers)

- Article 39 (1) The Prime Minister must, when an application for registration was made under Article 37, register the following particulars to the register of Funds Transfer Service Providers, except when refusing the 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 register 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 its accompanying documents contain false statements about important particulars, or lack 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 which is found to lack the sufficient financial foundation that is necessary for the proper and secure conduct of Funds Transfer Services;
- (iv) a corporation which has not established a system that is necessary for the proper and secure conduct of Funds Transfer Services;
- (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 Funds Transfer Service Provider or that may be misidentified as another Funds Transfer Service Provider;
- (vii) a corporation which had its registration under Article 37 revoked pursuant to the provisions of Article 56, paragraph (1) or (2), had its license under Article 64, paragraph (1) revoked pursuant to the provisions of Article 82, paragraph (1) or (2), or had the same kind of registration or license it had obtained in a foreign state (including permission or other administrative dispositions similar to that registration or license) revoked pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act or the Banking Act, etc., and for which five years have not passed since the date of the revocation;
- (viii) a corporation which 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 which 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 cases 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 an order of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
  - (c) a person who has been sentenced to imprisonment or heavier punishment (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 cases where a Funds Transfer Service Provider had its registration under Article 37 revoked pursuant to the provisions of Article 56, paragraph (1) or (2), or a corporation had the same kind of registration it had obtained in a foreign state (including permission or other administrative dispositions similar to that registration) revoked pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act, a person who was a Director, etc. of that corporation at any time during the thirty days prior to the date of the revocation 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, paragraph (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 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 the Funds Transfer Service Provider.

## **Section 2 Business**

(Making Security Deposits for Providing Funds Transfer Services)

- Article 43 (1) A Funds Transfer Service Provider must, for each period specified

by Cabinet Office Order that is not to exceed one month, make a security deposit for providing Funds Transfer Services to the official depository nearest to its head office (In cases of a Funds Transfer Service Provider that is a Foreign Funds Transfer Service Provider, its principal business office in Japan; the same applies 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 that period (referred to as the "Required Amount of Deposit" in Article 47, item (i)) within one week from the last day of that period (referred to as the "Base Date" in that 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 being transferred (meaning an amount, calculated pursuant to the provisions of Cabinet Office Order, 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 applies in this Chapter) on each business day and an amount calculated pursuant to the provisions of Cabinet Office Order as the amount of costs pertaining to the procedure for the fulfillment of the right prescribed in Article 59, paragraph (1) (in cases where that 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, that amount specified by Cabinet Order).
- (3) National government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order (including transfer bonds prescribed in Article 278, paragraph (1) of the Act on Transfer of Bonds, Shares, etc.; the same applies in Article 45, paragraph (3)) may be deposited to fulfill the security deposit for providing Funds Transfer Services requirement. In this case, the appraised value of those bond certificates is determined pursuant to the provisions of Cabinet Office Order.

(Guarantee Contracts of Security Deposits for 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 an order by the Prime Minister; the same applies in this Chapter) and has notified the Prime Minister to that effect, pursuant to the provisions of Cabinet Order, 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 the guarantee contract of security deposit for providing Funds Transfer Services; hereinafter the same applies in this Chapter) limited to the period during which that contract remains in force.

(Trust Agreements of Security Deposit for Providing Funds Transfer Services)  
Article 45 (1) In cases where a Funds Transfer Service Provider has concluded with a Trust Company, etc. a trust agreement of security deposit for providing funds transfer services (meaning a trust agreement the purpose of which is to apply trust property to a security deposit for providing Funds Transfer Services in response to an order by the Prime Minister and the provisions which prescribe that the Trust Company, etc. carries out necessary acts including the management of trust property for achieving the purpose of the trust; the same applies hereinafter in this Chapter) and has obtained the relevant approval of the Prime Minister, if, on each business day of the Funds Transfer Service Provider, the amount of trust property entrusted pursuant to the trust agreement of security deposit for 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, paragraph (2); the same applies hereinafter in this Chapter) on the immediately preceding business day, the provisions of paragraph (1) of that Article do not apply.

- (2) A trust agreement of security deposit for providing funds transfer services must prescribe the following particulars:
- (i) the beneficiaries of the trust agreement of security deposit for providing funds transfer services are to be the users of exchange transactions carried out by the Funds Transfer Service Provider who is the party to that trust agreement of security deposit for providing funds transfer services (hereinafter referred to as "Trust Agreement Funds Transfer Service Provider" in this Article);
  - (ii) an agent of the beneficiaries is appointed;
  - (iii) the Trust Agreement Funds Transfer Service Provider notifies 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 Agreement Funds Transfer Service Provider is liable to contribute its property as trust property as necessary so that the amount of 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 that trust property to the Trust Agreement Funds Transfer Service Provider;

(vi) a Trust Company, etc. realizes the trust property and deposit the proceeds thereof in response to an order by the Prime Minister; and

(vii) other particulars specified by Cabinet Office Order.

(3) The type of the trust property entrusted pursuant to a trust agreement of security deposit for providing funds transfer services is to be limited to money, bank deposits and savings (limited to those specified by Cabinet Office Order), or national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order. In this case, the appraised value of those bond certificates is determined pursuant to the provisions of Cabinet Office Order.

(4) With regard to a Funds Transfer Service Provider to whom the provisions of paragraph (1) have been applied, in cases where the amount of trust property entrusted pursuant to the trust agreement of security deposit for 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, paragraph (1) to the period (meaning the period specified by Cabinet Office Order as prescribed in paragraph (1) of that Article; hereinafter the same applies in this paragraph) immediately preceding the period that includes that Specified Day, the phrase "within one week from the last day of that period (referred to as the "Base Date" in that item)" in that paragraph is deemed to be replaced with "the day on which the amount of trust property under the trust agreement of security deposit for providing funds transfer services provided for in Article 45, paragraph (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 that 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 agreement of security deposit for 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 Deposits for Providing Funds Transfer Services)

Article 47 All or part of a security deposit for providing Funds Transfer Services may be recovered, pursuant to the provisions of Cabinet Order, 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 fulfillment of the right prescribed in Article 59, paragraph (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 Custody of Security Deposits for Providing Funds Transfer Services and Other Procedures)

Article 48 Beyond 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 are prescribed by Cabinet Office Order and Ministry of Justice Order.

(Information Security Management)

Article 49 A Funds Transfer Service Provider must, pursuant to the provisions of Cabinet Office Order, 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 that information.

(Management of Entrusted Parties)

Article 50 In cases where a Funds Transfer Service Provider entrusts (including the case under multi-tier entrustment arrangements) part of the Funds Transfer Service to a third party, the Funds Transfer Service Provider must, pursuant to the provisions of Cabinet Office Order, provide guidance to the third party to whom the relevant business has been entrusted and take other measures necessary for ensuring the proper and secure conduct of that business.

(Measures for Customer Protection)

Article 51 A Funds Transfer Service Provider must, pursuant to the provisions of Cabinet Office Order, provide explanation to prevent users from mistaking its business for exchange transactions carried out by a Deposit-Taking Institution, and provide information about fees and other terms and conditions of contracts

related 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 conduct of Funds Transfer Services.

(Obligation to Conclude Contract with Designated Dispute Resolution Organizations for Funds Transfer Business)

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 cases where one or more Designated Dispute Resolution Organizations for Funds Transfer Business (meaning Designated Dispute Resolution Organizations for which the Category of Dispute Resolution Services is funds transfer business; hereinafter the same applies in this Article) exist: Measures to conclude with a Designated Dispute Resolution Organization for Funds Transfer Business a basic contract for execution of procedures (meaning a basic contract for execution of procedures prescribed in Article 99, paragraph (1), item (viii); the same applies in the following paragraph) pertaining to the Funds Transfer Service; or
  - (ii) in cases where no Designated Dispute Resolution Organization for Funds Transfer Business exists: Complaint Processing Measures and Dispute Resolution Measures pertaining to the Funds Transfer Service.
- (2) In cases 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 for Funds Transfer Business that is the counterparty to that basic contract for execution of procedures.
- (3) The provisions of paragraph (1) do not apply during the period specified in the following items for the categories of cases respectively prescribed therein:
- (i) in cases where a Funds Transfer Service Provider who initially fell under paragraph (1), item (i) has come to fall under paragraph (1), item (ii): A period specified by the Prime Minister as that necessary for taking measures specified in paragraph (1), item (ii) when authorization is granted for the abolition of the Dispute Resolution Services under Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or designation is revoked pursuant to the provisions of Article 100, paragraph (1);
  - (ii) in cases where a Funds Transfer Service Provider falls under paragraph (1), item (i), when authorization is granted for the abolition of the Dispute Resolution Services by the Designated Dispute Resolution Organization for Funds Transfer Business mentioned in that item under Article 52-83,



- paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or the designation granted to the Designated Dispute Resolution Organization for Funds Transfer Business under Article 99, paragraph (1) is revoked pursuant to the provisions of Article 100, paragraph (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), item (i) at the time of the authorization or revocation; or
- (iii) in cases where a Funds Transfer Service Provider who initially fell under paragraph (1), item (ii) has come to fall under paragraph (1), item (i): A period specified by the Prime Minister as the period necessary for taking measures specified in paragraph (1), item (i) when designation is granted under Article 99, paragraph (1).
- (4) The term "Complaint Processing Measures" as used in paragraph (1), item (ii) means to cause a person specified by Cabinet Office Order 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 provide 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 Order as similar thereto.
- (5) The term "Dispute Resolution Measures" as used in paragraph (1), item (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, item (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 Order as similar thereto.

### **Section 3 Supervision**

#### (Books and Documents)

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

#### (Written Reports)

Article 53 (1) A Funds Transfer Service Provider must, pursuant to the provisions of Cabinet Office Order, 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 provisions of Cabinet

Office Order, prepare a written report on the amount of outstanding obligations in the process of being transferred, and the status of security deposits for providing Funds Transfer Services, guarantee contracts of security deposits for providing Funds Transfer Services, or trust agreements of security deposits for providing funds transfer services for each period specified by Cabinet Office Order not exceeding six months, and submit it to the Prime Minister.

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

(On-Site Inspections)

Article 54 (1) When the Prime Minister finds it necessary for the proper and secure conduct of Funds Transfer Services, the Prime Minister may order a 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 that 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 conduct of Funds Transfer Services, the Prime Minister may order a person to whom business has been entrusted by that Funds Transfer Service Provider (including persons entrusted from that person (including those under multi-tier entrustment arrangements); hereinafter the same applies in this Article and Article 60) to submit reports or materials that will be helpful for understanding the business or property of the Funds Transfer Service Provider, or have officials enter the business office, office or other establishment of the person to whom business has been entrusted by the Funds Transfer Service Provider, inquire about the status of its business or property of the Funds Transfer Service Provider or inspect its books and documents or other items, to the extent the order is necessary.

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

(Order to Improve Business Operations)

Article 55 When the Prime Minister finds it necessary for the proper and secure conduct of Funds Transfer Services, the Prime Minister may order a Funds Transfer Service Provider to take necessary measures to improve the operation of its business or its financial status or other measures necessary for the

purpose of supervision, to the extent that the order is necessary.

(Revocation of Registration)

Article 56 (1) When a Funds Transfer Service Provider falls under any of the following items, the Prime Minister may revoke 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, paragraph (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 cases 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 gives public notice to that effect pursuant to the provisions of Cabinet Office Order and may revoke the registration of that Funds Transfer Service Provider under Article 37 if it does not report within thirty days from the date of the public notice.

(3) The provisions of Chapter III of the Administrative Procedure Act do not apply to the disposition under the preceding paragraph.

(Deletion of Registration)

Article 57 When the Prime Minister has revoked 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, paragraph (2), the Prime Minister must delete that registration.

(Public Notice of Supervisory Dispositions)

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

#### **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 have the right to receive, in preference over other creditors, payments for the return of security deposits 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 must state their claims to the Prime Minister within a certain period specified to be not less than sixty days and that they are excluded from the procedure for the fulfillment of the right to the return of the security deposit for providing Funds Transfer Services pertaining to that public notice unless they state their claims within the notified period and take other measures necessary for the fulfillment of the right prescribed in that paragraph:
- (i) when a petition is filed for the fulfillment of the right prescribed 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 provisions of Cabinet Office Order, entrust the administrative work related to the fulfillment of the right prescribed in paragraph (1) to a Deposit-Taking Institution or any other person specified by Cabinet Order (referred to as "Agents for a Local Finance Office in the Distribution of Security Deposits 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 a Local Finance Office in the Distribution of Security Deposits 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 and other penal provisions, an Agent for a Local Finance Office in the Distribution of Security Deposits 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 that entrusted business are deemed to be officials engaged in public service under laws and regulations.
- (6) Beyond what is provided in paragraph (2) through the preceding paragraph, particulars necessary for the fulfillment of the right prescribed in paragraph (1) are specified by Cabinet Order.

(Cooperation for Return of Security Deposits for Providing Funds Transfer

Services)

Article 60 In cases where a person to whom a Funds Transfer Service has been entrusted by a Funds Transfer Service Provider or any other related person of that Funds Transfer Service Provider is requested by the Prime Minister to extend necessary cooperation for the fulfillment of the right prescribed in paragraph (1) of the preceding Article pertaining to exchange transactions carried out by the Funds Transfer Service Provider, that person is to endeavor to respond to the request.

(Notification of Discontinuation of Business)

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

- (i) the Funds Transfer Service Provider has discontinued all or part of the Funds Transfer Service; or
- (ii) the Funds Transfer Service Provider falls under Article 59, paragraph (2), item (ii).

(2) If a Funds Transfer Service Provider has discontinued all of the Funds Transfer Service, the registration of that Funds Transfer Service Provider under Article 37 ceases to be effective.

(3) A Funds Transfer Service Provider intending to discontinue all or part of the Funds Transfer Service must, pursuant to the provisions of Cabinet Office Order, 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 thirty days prior to the date of the event.

(4) A Funds Transfer Service Provider must, when having given public notice pursuant to the provisions of the preceding paragraph, notify the Prime Minister to that effect immediately.

(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 the relevant business by way of transfer 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 in the course of the Funds Transfer Service that it intends to discontinue.

(6) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (i)) and Article 940, paragraph (3) of the Companies Act applies 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, item (xxxiv) of that Act; the same applies in the following paragraph). In this case, any necessary technical replacement of

terms is 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 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 is specified by Cabinet Order.

(Completion of Performance of Obligations Subsequent to Revocation of Registration)

Article 62 With regard to a Funds Transfer Service Provider, when the registration under Article 37 has been revoked pursuant to provisions of Article 56, paragraph (1) or (2) or has ceased to be effective pursuant to the provisions of paragraph (2) of the preceding Article, the person who has been the Funds Transfer Service Provider is 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 must not conduct solicitation of a person in Japan for exchange transactions.

## **Chapter III-2 Virtual Currency**

### **Section 1 General Provisions**

(Registration of Virtual Currency Exchange Service Providers)

Article 63-2 No person may engage in the Virtual Currency Exchange Service unless the person is registered with the Prime Minister.

(Application for Registration)

Article 63-3 (1) A person who intends to obtain registration under the preceding Article must, pursuant to the provisions of Cabinet Office Order, 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 Virtual Currency Exchange Service;

- (iv) name of director and company auditor (director in cases of a company with audit and supervisory committee; director and executive officer in cases of a company with nominating committee, etc.; and persons equivalent thereto under laws and regulations of a foreign state in cases of a Foreign Virtual Currency Exchange Service Provider; the same applies in Article 63-5, paragraph (1), item (x));
  - (v) in cases of a company with accounting advisors, names of accounting advisors;
  - (vi) in cases of a Foreign Virtual Currency Exchange Service Provider, name of the representative person in Japan;
  - (vii) name of the Virtual Currency to be used;
  - (viii) contents and means of the Virtual Currency Exchange Service;
  - (ix) in cases where part of the Virtual Currency Exchange Service is entrusted to a third party, contents of the business pertaining to that entrustment and the name or trade name or other name and address of the third party to whom the Virtual Currency Exchange Service is entrusted;
  - (x) type of other businesses, if any; and
  - (xi) other particulars specified by Cabinet Office Order.
- (2) A document in which the applicant pledges not to fall under any of the items of Article 63-5, paragraph (1), documents concerning finance, documents containing particulars concerning the establishment of a system for ensuring the proper and secure conduct of the Virtual Currency Exchange Service, and other documents specified by Cabinet Office Order must be attached to the application for registration under the preceding paragraph.

(Register of Virtual Currency Service Providers)

- Article 63-4 (1) The Prime Minister must, when an application for registration was made under Article 63-2, register the following particulars in the register of Virtual Currency Exchange Service Providers, except when refusing the 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) If 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 register of Virtual Currency Exchange Service Providers available for public inspection.

(Refusal of Registration)

- Article 63-5 (1) The Prime Minister must refuse registration when an applicant

falls under any of the following items, or a written application for registration or its accompanying documents contain false statements about important particulars, or lack any statement about important particulars:

- (i) a person other than a stock company or a Foreign Virtual Currency Exchange Service Provider (limited to a foreign company that has a business office in Japan);
- (ii) a Foreign Virtual Currency Exchange 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 foundation that satisfies the requirements specified by Cabinet Office Order as those found to be necessary for the proper and secure conduct of the Virtual Currency Exchange Service;
- (iv) a corporation that has not established a system that is necessary for the proper and secure conduct of the Virtual Currency Exchange Service;
- (v) a corporation that has not established a system that is necessary for ensuring compliance with the provisions of this Chapter;
- (vi) a corporation that intends to use a trade name or other name that is identical to the one currently used by another Virtual Currency Exchange Service Provider or that may be misidentified as another Virtual Currency Exchange Service Provider;
- (vii) a corporation that had its registration under Article 63-2 revoked pursuant to the provisions of Article 63-17, paragraph (1) or (2), or had the same kind of registration it had obtained in a foreign state (including permission or other administrative dispositions similar to that registration) revoked pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act, and for whom five years have not passed since the date of the revocation;
- (viii) a corporation that 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 Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc. 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 cases of a Foreign Virtual Currency Exchange 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 an order of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
  - (c) a person who has been sentenced to imprisonment or heavier punishment (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 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 corporation became free from the execution of the punishment;
  - (e) in cases where a Virtual Currency Exchange Service Provider had its registration under Article 63-2 revoked pursuant to the provisions of Article 36-17, paragraph (1) or (2), or a corporation had the same kind of registration it had obtained in a foreign state (including permission or other administrative dispositions similar to that registration) revoked pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act, a person who was a Director, etc. of that corporation at any time during the thirty days prior to the date of the revocation 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 63-6 (1) If there has been a change in any of the particulars set forth in the items of Article 63-3, paragraph (1), the Virtual Currency Exchange Service Provider must notify the Prime Minister to that effect without delay.
- (2) If the Prime Minister accepts a notification under the preceding paragraph, the Prime Minister must register the particulars of that notification in the register of Virtual Currency Exchange Service Providers.

(Prohibition of Name Lending)

Article 63-7 A Virtual Currency Exchange Service Provider must not have another person engage in the Virtual Currency Exchange Service under the name of that Virtual Currency Exchange Service Provider.

## **Section 2 Business**

(Information Security Management)

Article 63-8 A Virtual Currency Exchange Service Provider must, pursuant to the provisions of Cabinet Office Order, take necessary measures for preventing leakage, loss, or damage of information pertaining to the Virtual Currency Exchange Service and otherwise ensuring safe control of the handling of that information.

(Management of Entrusted Parties)

Article 63-9 In cases where a Virtual Currency Exchange Service Provider entrusts (including cases under multi-tier entrustment arrangements) part of the Virtual Currency Exchange Service to a third party, the Virtual Currency Exchange Service Provider must, pursuant to the provisions of Cabinet Office Order, provide guidance to the third party to whom the relevant business has been entrusted and take other measures necessary for ensuring the proper and secure conduct of that business.

(Measures for Customer Protection)

Article 63-10 A Virtual Currency Exchange Service Provider must, pursuant to the provisions of Cabinet Office Order, provide explanation designed to prevent users from mistaking the Virtual Currency used in the business for the Japanese currency or a foreign currency, and information about fees and other terms and conditions of contracts pertaining to the Virtual Currency Exchange Service, and take other measures necessary for protecting the users of the Virtual Currency Exchange Service and ensuring the proper and secure conduct of the Virtual Currency Exchange Service.

(Management of Users' Property)

Article 63-11 (1) A Virtual Currency Exchange Service Provider must, in connection with its Virtual Currency Exchange Service, manage the money or Virtual Currency of the users of the Virtual Currency Exchange Service separately from its own money or Virtual Currency, pursuant to the provisions of Cabinet Office Order.

(2) A Virtual Currency Exchange Service Provider must, pursuant to the provisions of Cabinet Office Order, periodically undergo an audit by a certified public accountant (including foreign certified public accountant prescribed in

Article 16-2, paragraph (5) of the Certified Public Accountants Act (Act No. 103 of 1948); the same applies in Article 63-14, paragraph (3)) or by an audit corporation, with regard to the state of management under the provisions of the preceding paragraph,

(Obligation to Conclude Contract with Designated Dispute Resolution Organizations for Virtual Currency Exchange Business)

Article 63-12 (1) A Virtual Currency Exchange Service Provider must take the measures specified in the following items for the categories of cases respectively prescribed therein:

- (i) in cases where one or more Designated Dispute Resolution Organizations for Virtual Currency Exchange Business (meaning Designated Dispute Resolution Organizations for which the Category of Dispute Resolution Services is virtual currency exchange business; hereinafter the same applies in this Article) exist: Measures to conclude with a Designated Dispute Resolution Organization for Virtual Currency Exchange Business a basic contract for execution of procedures (meaning a basic contract for execution of procedures prescribed in Article 99, paragraph (1), item (viii); the same applies in the following paragraph) pertaining to the Virtual Currency Exchange Service; or
  - (ii) in cases where no Designated Dispute Resolution Organization for Virtual Currency Exchange Business exists: Complaint Processing Measures and Dispute Resolution Measures pertaining to the Virtual Currency Exchange Service.
- (2) In cases where a Virtual Currency Exchange Service Provider took measures to conclude a basic contract for execution of procedures pursuant to the provisions of the preceding paragraph, the Virtual Currency Exchange Service Provider must publicly announce the trade name or other name of the Designated Dispute Resolution Organization for Virtual Currency Exchange Business that is the counterparty to that basic contract for execution of procedures.
- (3) The provisions of paragraph (1) do not apply during the period specified in the following items for the categories of cases respectively prescribed therein:
- (i) in cases where a Virtual Currency Exchange Service Provider who initially fell under paragraph (1), item (i) has come to fall under paragraph (1), item (ii): A period specified by the Prime Minister as the period necessary for taking measures specified in paragraph (1), item (ii) when authorization is granted for the abolition of the Dispute Resolution Services under Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or designation is revoked pursuant to the provisions of Article 100, paragraph

- (1);
- (ii) in cases where a Virtual Currency Exchange Service Provider falls under paragraph (1), item (i), when authorization is granted for the abolition of the Dispute Resolution Services by the Designated Dispute Resolution Organization for Virtual Currency Exchange Business mentioned in that item under Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or the designation granted to that Designated Dispute Resolution Organization for Virtual Currency Exchange Business under Article 99, paragraph (1) is revoked pursuant to the provisions of Article 100, paragraph (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), item (i) at the time of that authorization or revocation; or
- (iii) in cases where a Virtual Currency Exchange Service Provider who initially fell under paragraph (1), item (ii) has come to fall under paragraph (1), item (i): A period specified by the Prime Minister as the period necessary for taking measures specified in paragraph (1), item (i) when designation is granted under Article 99, paragraph (1).
- (4) The term "Complaint Processing Measures" as used in paragraph (1), item (ii) means to cause a person specified by Cabinet Office Order 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 Order as similar thereto.
- (5) The term "Dispute Resolution Measures" as used in paragraph (1), item (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, item (iii) of the Act on Promotion of Use of Alternative Dispute Resolution) or any other measures specified by Cabinet Office Order as similar thereto.

### **Section 3 Supervision**

(Books and Documents)

Article 63-13 A Virtual Currency Exchange Service Provider must, pursuant to the provisions of Cabinet Office Order, prepare and maintain the books and documents on its Virtual Currency Exchange Service.

(Written Reports)

Article 63-14 (1) A Virtual Currency Exchange Service Provider must, pursuant to the provisions of Cabinet Office Order, prepare a written report on its Virtual Currency Exchange 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 Virtual Currency Exchange Service Provider (limited to one who conducts the act set forth in Article 2, paragraph (7), item (iii)) must, pursuant to the provisions of Cabinet Office Order, prepare a written report on the amount of users' money and the volumes of users' Virtual Currency under the management in connection with the Virtual Currency Exchange Service and other matters concerning the management of these amounts for each period specified by Cabinet Office Order, and submit it to the Prime Minister.

(3) Documents concerning finance, an audit report prepared by a certified public accountant or audit corporation regarding these documents, and other documents specified by Cabinet Office Order must be attached to the written report under paragraph (1).

(4) Documents proving the amount of users' money and the volumes of users' Virtual Currency under the management in connection with the Virtual Currency Exchange Service and other documents specified by Cabinet Office Order must be attached to the written report under paragraph (2).

(On-Site Inspections)

Article 63-15 (1) When the Prime Minister finds it necessary for the proper and secure conduct of the Virtual Currency Exchange Service, the Prime Minister may order a Virtual Currency Exchange 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 that Virtual Currency Exchange 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 conduct of the Virtual Currency Exchange Service, the Prime Minister may order a person to whom business has been entrusted by that Virtual Currency Exchange Service Provider (including persons entrusted from that person (including those under multi-tier entrustment arrangements); hereinafter the same applies in this Article) to submit reports or materials that will be helpful for understanding the business or property of that Virtual Currency Exchange Service Provider, or have officials enter the business office, office or other establishment of that person to whom business has been entrusted by that Virtual Currency Exchange Service Provider, inquire about the status of its business or the property of that Virtual Currency Exchange

Service Provider or inspect its books and documents or other items, to the extent that the order is necessary.

- (3) A person to whom business has been entrusted by a Virtual Currency Exchange Service Provider referred to in the preceding paragraph may, if there are reasonable grounds for doing so, refuse the submission of reports or materials, or the inquiry or inspection under that paragraph.

(Order to Improve Business Operations)

Article 63-16 When the Prime Minister finds it necessary for the proper and secure conduct of the Virtual Currency Exchange Service, the Prime Minister may order a Virtual Currency Exchange Service Provider to take necessary measures to improve the operation of its business or its financial status or other measures necessary for the purpose of supervision, to the extent that the order is necessary.

(Revocation of Registration)

Article 63-17 (1) If a Virtual Currency Exchange Service Provider falls under any of the following items, the Prime Minister may revoke its registration under Article 63-2 or order the Virtual Currency Exchange Service Provider to suspend all or part of its Virtual Currency Exchange Service, specifying a period of suspension not exceeding six months:

- (i) the Virtual Currency Exchange Service Provider comes to fall under any of the items of Article 63-5, paragraph (1);
  - (ii) the Virtual Currency Exchange Service Provider has obtained the registration under Article 63-2 through wrongful means; or
  - (iii) the Virtual Currency Exchange Service Provider has violated this Act or an order issued pursuant to this Act, or a disposition given pursuant thereto.
- (2) If the locations of business offices of a Virtual Currency Exchange Service Provider are not ascertained or the whereabouts of the director or executive officer representing the Virtual Currency Exchange Service Provider (in cases of a Virtual Currency Exchange Service Provider that is a Foreign Virtual Currency Exchange Service Provider, the representative person in Japan) is not ascertained, the Prime Minister gives public notice to that effect pursuant to the provisions of Cabinet Office Order and may revoke the registration of that Virtual Currency Exchange Service Provider under Article 63-2 if it does not report within thirty days from the date of the public notice.
- (3) The provisions of Chapter III of the Administrative Procedure Act do not apply to disposition under the preceding paragraph.

(Deletion of Registration)

Article 63-18 If the Prime Minister has revoked the registration under Article

63-2 pursuant to provisions of paragraph (1) or (2) of the preceding Article or when the registration under Article 63-2 has ceased to be effective pursuant to the provisions of Article 63-20, paragraph (2), the Prime Minister must delete that registration.

(Public Notice of Supervisory Dispositions)

Article 63-19 If the Prime Minister renders a disposition pursuant to the provisions of Article 63-17, paragraph (1) or (2), the Prime Minister must give public notice to that effect pursuant to the provisions of Cabinet Office Order.

#### **Section 4 Miscellaneous Provisions**

(Notification of Discontinuation of Business)

Article 63-20 (1) If a Virtual Currency Exchange Service Provider falls under any of the following items, it must notify the Prime Minister to that effect without delay:

- (i) the Virtual Currency Exchange Service Provider has discontinued all or part of the Virtual Currency Exchange Service; or
  - (ii) a Petition for Commencement of Bankruptcy Proceedings, etc. is filed against a Virtual Currency Exchange Service Provider.
- (2) If a Virtual Currency Exchange Service Provider has discontinued all of the Virtual Currency Exchange Service, the registration of that Virtual Currency Exchange Service Provider under Article 63-2 ceases to be effective.
- (3) If a Virtual Currency Exchange Service Provider intends to discontinue all or part of the Virtual Currency Exchange Service, to transfer all or part of the Virtual Currency Exchange Service, to implement a merger (limited to a merger in which the Virtual Currency Exchange Service Provider disappears), to dissolve for reasons other than a merger or an order of commencement of bankruptcy proceedings, or to have all or part of the Virtual Currency Exchange Service succeeded to in a company split, it must, by thirty days prior to the date when any of these events takes place, 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, pursuant to the provisions of Cabinet Office Order.
- (4) A Virtual Currency Exchange Service Provider must, when having given public notice pursuant to the provisions of the preceding paragraph, notify the Prime Minister to that effect immediately.
- (5) A Virtual Currency Exchange 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 the relevant business by way of transfer 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 of Virtual Currency, etc. that it has carried out in the course of the Virtual Currency Exchange Service that it intends to discontinue, and promptly return the users' property under the management in connection with the Virtual Currency Exchange Service or transfer the property to users.

(6) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (i)) and Article 940, paragraph (3) of the Companies Act apply mutatis mutandis to cases where a Virtual Currency Exchange Service Provider (excluding a Foreign Virtual Currency Exchange Service Provider) gives public notice under paragraph (3) by way of Electronic Public Notice (meaning Electronic Public Notice prescribed in Article 2, item (xxxiv) of that Act; the same applies in the following paragraph). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(7) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (i)) and Article 940, paragraph (3), Article 941, Article 946, Article 947, Article 951, paragraph (2), Article 953, and Article 955 of the Companies Act apply mutatis mutandis to cases where a Virtual Currency Exchange Service Provider that is a Foreign Virtual Currency Exchange Service Provider gives public notice under paragraph (3) by way of Electronic Public Notice. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Completion of Performance of Obligations Subsequent to Revocation of Registration)

Article 63-21 With regard to a Virtual Currency Exchange Service Provider, when the registration under Article 63-2 has been revoked pursuant to the provisions of Article 63-17, paragraph (1) or (2) or has ceased to be effective pursuant to the provisions of paragraph (2) of the preceding Article, the person who has been the Virtual Currency Exchange Service Provider is deemed to be a Virtual Currency Exchange Service Provider within the scope of the purpose of completing the performance of obligations that it has borne in relation to the Exchange of Virtual Currency, etc. that it has carried out in the course of the Virtual Currency Exchange Service, and returning the users' property under the management in connection with the Virtual Currency Exchange Service that it has carried out or transferring the property to users.

(Prohibition on Solicitation by Foreign Virtual Currency Exchange Service Providers)

Article 63-22 A Foreign Virtual Currency Exchange Service Provider not registered under Article 63-2 must not conduct solicitation of a person in Japan for the acts set forth in the items of Article 2, paragraph (7).



## **Chapter IV Clearing for Fund Transfer Transactions**

### **Section 1 General Provisions**

(Licenses for Clearing Institutions for Interbank Fund Transfers)

- Article 64 (1) No person may engage in Clearing Services for Interbank Fund Transfers unless that person has obtained a license from the Prime Minister.
- (2) The provisions of the preceding paragraph do not apply to Deposit-Taking Institutions and the Bank of Japan.

(License Applications)

- Article 65 (1) A person who intends to obtain license under paragraph (1) of the preceding Article must, pursuant to the provisions of Cabinet Office Order, 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 offices or offices;
  - (iv) name of director and company auditor (director in cases of a company with audit and supervisory committee; director and executive officer in cases of a company with nominating committee, etc.; the same applies in paragraph (2), item (iv) of the following Article) or board member and auditor;
  - (v) in cases of a company with accounting advisors, names of accounting advisors; and
  - (vi) other particulars specified by Cabinet Office Order.
- (2) The following documents must be attached to the written application for a license set forth in the preceding paragraph:
- (i) a document in which the applicant pledges not to 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 Order.

(Criteria for Granting 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 conduct of the Clearing Services for Interbank Funds Transfer;
  - (ii) the applicant has sufficient financial foundation 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 conduct 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 its accompanying documents 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, audit and supervisory committee or nominating committee, etc. (meaning nominating committee, etc. provided for in Article 2, item (xii) of the Companies Act) or auditors; or
    - (c) accounting auditors;
  - (ii) a corporation who had its registration under Article 37 revoked pursuant to the provisions of Article 56, (1) or (2), had its license under Article 64, paragraph (1) revoked pursuant to the provisions of Article 82, paragraph (1) or (2), or had the same kind of registration or license it had obtained in a foreign state (including permission or other administrative dispositions similar to that registration or license) revoked pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act or the Banking Act, etc., and for whom five years have not passed since the date of the revocation;
  - (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 applies 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 an order of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
- (c) a person who has been sentenced to imprisonment or a heavier punishment (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, paragraph (1) revoked pursuant to the provisions of Article 82, paragraph (1) or (2) or a corporation had its license or registration (including permission or other administrative dispositions similar to that license or registration) of the same kind revoked that had been granted in a foreign state pursuant to the provisions of laws and regulations of that foreign state equivalent to this Act, a person who had been a Director, etc. of that corporation at any time during the thirty days prior to the date of the revocation and for whom five years have not passed since that date or a person specified by Cabinet Order as similar thereto.

(Grounds for Disqualification of Directors)

- Article 67 (1) A person falling under any of paragraph (2), item (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, that Director, etc. loses 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 the Clearing Institution for Interbank Funds Transfer to dismiss that Director, etc.

(Application of the Companies Act)

- Article 68 (1) The provisions of the proviso to Article 331, paragraph (2) (including the cases where it is applied mutatis mutandis pursuant to Article 335, paragraph (1) of the Companies Act), Article 332, paragraph (2) (including the cases where it is applied mutatis mutandis pursuant to Article 334, paragraph (1) of that Act), Article 336, paragraph (2), and the proviso to Article 402, paragraph (5) of the Companies Act do 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 that Article are 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 must not engage in any business other than the Clearing Services for Interbank Funds Transfer and business related thereto; provided, however, that this does not apply if a Clearing Institution for Interbank Funds Transfer has obtained, pursuant to the provisions of Cabinet Office Order, the approval of the Prime Minister for a business that is found to involve no risk of causing hindrance to the proper and secure conduct of the Clearing Services for Interbank Funds Transfer by that 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 provisions of Cabinet Office Order.

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

- Article 70 (1) A Clearing Institution for Interbank Funds Transfer may, pursuant to the provisions of Cabinet Office Order, 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 must take measures to ensure the proper and secure conduct of that 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 means carried out in the course 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 the business will not cause hindrance to the proper and secure conduct 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 conduct of the business pertaining to that 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 Order 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 Order.

(Measures to Ensure Appropriate Provision of 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 are borne by the Clearing Participant in its rules and procedures of operation and take other measures to ensure appropriate provision of the Clearing Services for Interbank Funds Transfer.

(Payment and Settlement of Unsettled Obligations)

- 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 that Clearing Participant and other payment and settlement methods used in relation to these proceedings are governed by those rules and procedures of operation.
- (2) The term "Unsettled Obligations, etc." as used in the preceding paragraph means obligations borne in the course of the Clearing Services for Interbank Funds Transfer to a Clearing Participant by way of assumption, novation, or other means, claims against that Clearing Participant (limited to those having the same content as those obligations) acquired as consideration for bearing those obligations, and security of those 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 are bankruptcy claims, rehabilitation claims, or reorganization claims, and the claims prescribed in paragraph (1) that a Clearing Participant has are 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.

(Obligation of Confidentiality)

- Article 74 (1) A Director, etc. (or, if a Director, etc. is a corporation, a person who is to perform the duties; the same applies in the following paragraph) or an employee of a Clearing Institution for Interbank Funds Transfer, or a person who was formerly in that position must 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 that 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 apply mutatis mutandis to a person to whom business is entrusted pursuant to the provisions of Article 70, paragraph (1) (or, if the person is a corporation, its officers) or that person's employees and other persons who engage in that entrusted business, or persons who were formerly in that 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 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 Changes to the Amount of Stated Capital)

Article 77 When there has been a change in any of the particulars set forth in Article 65, paragraph (1), item (ii) (excluding the amount of net assets) or items (iii) through (v) of that 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 provisions of Cabinet Office Order, prepare and maintain the books and documents on its Clearing Services for Interbank Funds Transfer.

(Written Reports)

Article 79 A Clearing Institution for Interbank Funds Transfer must, pursuant to the provisions of Cabinet Office Order, 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)

Article 80 (1) When the Prime Minister finds it necessary for the proper and secure conduct of the Clearing Services for Interbank Funds Transfer, the Prime Minister may order that 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 that 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 conduct of the Clearing Services for Interbank Funds Transfer, the Prime Minister may order a person to whom business has been entrusted by the Clearing Institution for Interbank Funds Transfer (including persons entrusted from that person (including those under multi-tier entrustment arrangements); hereinafter the same applies in this Article) to submit reports or materials that will be helpful for understanding the business or property of the Clearing Institution for Interbank Funds Transfer, or have officials enter the business office, office or other establishment of the person to whom business has been entrusted by the Clearing Institution for Interbank Funds Transfer, inquire about the status of its business or property of the Clearing Institution for Interbank Funds Transfer or inspect its books and documents or other items, to the extent that the order is necessary.
- (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 reasonable grounds, refuse the submission of reports or materials, or the inquiry or inspection under that paragraph.

(Order to Improve Business Operations)

Article 81 When the Prime Minister finds it necessary for the proper and secure conduct of Clearing Services for Interbank Funds Transfer, the Prime Minister may order a Clearing Institution for Interbank Funds Transfer to take necessary measures to improve the operation of its business or its financial status, or other measures necessary for the purpose of supervision, to the extent that the order is necessary.

(Revocation of Licenses)

Article 82 (1) If a Clearing Institution for Interbank Funds Transfer is found to have already fallen under any of the items of Article 66, paragraph (2) when it obtained a license, the Prime Minister may revoke 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, revoke the license under Article 64, paragraph (1) or the approval under the proviso to Article 69, paragraph (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)

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

(Consultation with the 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) revocation of the license under Article 64, paragraph (1) pursuant to the provisions of Article 82, paragraph (1) or (2); or
- (ii) order to suspend all or part of the business pursuant to the provisions of Article 82, paragraph (2).

(Notices to the Minister of Finance)

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

- (i) granting of a license under Article 64, paragraph (1);
- (ii) revocation of the license under Article 64, paragraph (1) pursuant to the provisions of Article 82, paragraph (1) or (2);
- (iii) order to suspend all or part of the business pursuant to the provisions of Article 82, paragraph (2); or
- (iv) granting of authorization under Article 83.

(Hearing of Opinion of the Bank of Japan)

Article 86 If 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 Associations for Payment Service Providers**

(Certification of Associations for Payment Service Providers)

Article 87 The Prime Minister may, pursuant to the provisions of Cabinet Order,

certify a general incorporated association established by an Issuer of Prepaid Payment Instruments, a Funds Transfer Service Provider or a Virtual Currency Exchange Service Provider that is found to satisfy the following requirements as a person permitted to engage in the business prescribed in the following Article (hereinafter referred to as "Certified Businesses" in this Chapter) upon that person's application:

- (i) the general incorporated association aims to ensure the appropriate provision of the business of issuing Prepaid Payment Instruments (meaning Prepaid Payment Instruments provided for in Article 3, paragraph (1); the same applies hereinafter in this Chapter), the Funds Transfer Service or the Virtual Currency Exchange 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, paragraph (1), item (iv); hereinafter the same applies in this Chapter);
- (ii) the general incorporated association's articles of incorporation includes a provision to the effect that its members (hereinafter referred to as "Members" in this Chapter) are Issuers of Prepaid Payment Instruments, Funds Transfer Service Providers or Virtual Currency Exchange Service Providers;
- (iii) the general incorporated association has established the means of business operations necessary for the proper and secure conduct of the Certified Businesses; and
- (iv) the general incorporated association has the knowledge, ability, and financial foundation sufficient for the proper and secure conduct of the Certified Businesses.

(Business of Certified Associations for Payment Service Providers)

Article 88 A Certified Association for Payment Service Providers is to engage in the following business:

- (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, Funds Transfer Service or Virtual Currency Exchange Service;
- (ii) the business of providing guidance, recommendation, etc. to Members in relation to their business of issuing Prepaid Payment Instruments, Funds Transfer Service or Virtual Currency Exchange 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, the Funds Transfer Service or the Virtual Currency Exchange Service;

- (iii) establishment of the rules that are necessary for the appropriate management of the business of issuing Prepaid Payment Instruments, the Funds Transfer Service or the Virtual Currency Exchange 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, the Funds Transfer Service or the Virtual Currency Exchange Service;
- (vi) handling of complaints from users related to the business of issuing Prepaid Payment Instruments, the Funds Transfer Service or the Virtual Currency Exchange Service carried out by Members;
- (vii) publicity to the users of Prepaid Payment Instruments, the Funds Transfer Service or the Virtual Currency Exchange Service and other businesses necessary for the achievement of the purposes of the Certified Association for Payment Service Providers; and
- (viii) beyond what is set forth in the preceding items, businesses that contribute to the sound development of the business of issuing Prepaid Payment Instruments, the Funds Transfer Service or the Virtual Currency Exchange Service and the protection of the users of these businesses.

(Public Inspection of Membership List)

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

(2) No person other than 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 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 Users)

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, paragraph (1), item (iv) and (v) public to the users of those Prepaid Payment Instruments, make those 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, the Funds Transfer Service or the Virtual Currency Exchange 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 those users.

(Responses to Complaints from Users)

- Article 91 (1) When a user of Prepaid Payment Instruments, Funds Transfer Service or Virtual Currency Exchange Service files an application for resolution of a complaint concerning the business of issuing Prepaid Payment Instruments, Funds Transfer Service or Virtual Currency Exchange Service carried out by a Member, a Certified Association for Payment Service Providers must respond to requests for consultation, provide necessary advice to the applicant, investigate the circumstances pertaining to the complaint, notify the Member of the content of the complaint and advise the Member to process the complaint expeditiously.
- (2) When a Certified Association for Payment Service Providers finds it necessary for resolving a complaint in an application under the preceding paragraph, it may advise the relevant Member to provide a written or oral explanation or submit materials.
- (3) When a Certified Association for Payment Service Providers has advised a Member to carry out an action under the preceding paragraph, the Member must not refuse to do this without reasonable grounds.
- (4) A Certified Association for Payment Service Providers must make public to its Members any applications under paragraph (1), circumstances pertaining to the 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, paragraph (1), if the application filed under paragraph (1) is related to complaints concerning the Category of Dispute Resolution Services pertaining to the designation, the provisions of paragraph (1) do not apply.

(Reports to Certified Associations for Payment Service Providers)

- Article 92 (1) When a Member obtains information about actions of an Issuer of Prepaid Payment Instruments, Funds Transfer Service Provider or Virtual Currency Exchange 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 Order, it must report this 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 that information except in cases where there are reasonable grounds for refusing the request.

(Confidentiality Obligation)

Article 93 (1) An officer or an employee of a Certified Association for Payment Service Providers, or a person who was formerly in that position must 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 that position must not use any information learned during their course of duties for purposes other than providing this information for the use of the Certified Businesses.

(Particulars Which Must Be Stated in Articles of Incorporation)

Article 94 Beyond what is set forth in items of Article 11, paragraph (1) of the Act on General Incorporated Association and General Incorporated Foundation and a provision of the articles of incorporation prescribed in Article 87, item (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, item (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)

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 that 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) If 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) If 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 revoke 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 Associations 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 conduct 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, Funds Transfer Service Providers or Virtual Currency Exchange Service Providers that contributes to the Certified Businesses as specified by Cabinet Office Order.

(Public Notices)

Article 98 If the Prime Minister has granted certification under Article 87 has revoked that certification pursuant to the provisions of Article 96, paragraph (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 provisions of Cabinet Office Order.

## **Chapter VI Designated Dispute Resolution Organizations**

(Designation of Persons Permitted to Engage in Dispute Resolution Services)

Article 99 (1) The Prime Minister may designate a person satisfying the following requirements as a person permitted to engage in Dispute Resolution Services upon that person's application:

- (i) the person is 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 applies in item (iv), (d));
- (ii) the person is not a person who had its designation under this paragraph revoked pursuant to the provisions of paragraph (1) of the following Article and for whom five years have not passed since the date of the revocation, or a person who had its designation under the provisions of another Act revoked that is one pertaining to a business equivalent to Dispute Resolution Services as specified by Cabinet Order and for whom five years have not passed since the date of the revocation;

- (iii) the person is not 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 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 an order of commencement of bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
  - (c) a person who has been sentenced to imprisonment or heavier punishment (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 revoked pursuant to the provisions of paragraph (1) of the following Article, or a corporation had its administrative disposition similar to that designation, that had been granted in a foreign state pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act revoked, a person who had been an officer (including a person treated in the same manner under laws and regulations of a foreign state; the same applies in (d)) of the corporation at any time during the one month prior to the date of the revocation 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 regarding business equivalent to the Dispute Resolution Services as specified by Cabinet Order revoked, or a corporation had its administrative disposition similar to a designation specified by that Cabinet Order, that had been granted in a foreign state pursuant to the provisions of laws and regulations of the foreign state equivalent to the other Act revoked, a person who had been an officer of the corporation at any time during the one month prior to the date of revocation 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 has a sufficient accounting and technical foundation to ensure proper execution of the Dispute Resolution Services;
  - (vi) the composition of the officers or employees of the person involves no risk of causing hindrance to fair execution of Dispute Resolution Services;
  - (vii) rules concerning the execution of the Dispute Resolution Services (hereinafter referred to as "Operational Rules" in this Chapter) are found to conform with laws and regulations and are sufficient to ensure fair and proper execution of the Dispute Resolution Services 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, etc. (meaning Funds Transfer Service Providers or Virtual Currency Exchange Service Providers; hereinafter the same applies in this Chapter) 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 Dispute Resolution Services; hereinafter the same applies 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, paragraph (2) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms) 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, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms and particulars necessary for satisfying the criteria listed in the items of Article 52-67, paragraph (4) of that Act and paragraph (5), item (i) of that Article as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms) to the total number of Funds Transfer Service Providers, etc. 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 provisions of Cabinet Office Order, provide Funds Transfer Service Providers, etc. 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 the contents (including grounds for objection in cases where there is any objection), and prepare a document containing the results of the hearing.
- (3) If 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 that paragraph (limited to the portion pertaining to the business of executing dispute resolution procedures, and with regard to the requirements listed in those items, limited to those pertaining to the criteria listed in the items of Article 52-67, paragraph (4) of the Banking Act and the items of paragraph (5) of that Article as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms).

- (4) The designation under the provisions of paragraph (1) is made by Category of Dispute Resolution Services, and the proportion referred to in item (viii) of that paragraph is calculated for the relevant Category of Dispute Resolution Services.
- (5) If 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 provisions of Cabinet Office Order.

(Revocation of Designations)

Article 100 (1) If a Designated Dispute Resolution Organization falls under any of the following items, the Prime Minister may revoke 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) the Designated Dispute Resolution Organization no longer satisfies the requirements listed in paragraph (1), items (ii) through (vii) of the preceding Article or is found not to have satisfied any of the items of that paragraph when the designation was granted;
  - (ii) the Designated Dispute Resolution Organization has obtained the designation under paragraph (1) of the preceding Article through wrongful means; or
  - (iii) 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 paragraph (1), items (v) through (vii) 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 those items, limited to those pertaining to the criteria listed in items of Article 52-67, paragraph (4) of the Banking Act and items of paragraph (5) of that Article as applied mutatis mutandis pursuant to

- paragraph (1) of the following Article following the deemed replacement of terms; hereinafter the same applies in this item) or when the Designated Dispute Resolution Organization is found not to have satisfied any of paragraph (1), items (v) through (vii) of the preceding Article when the designation under that 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 pursuant to paragraph (1) of the following Article following the deemed replacement of terms (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 revoked 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 that disposition or order, notify the parties to whom the complaint handling procedures or dispute resolution procedures prescribed in Article 52-83, paragraph (3) of the Banking Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms are being executed as of the date of that disposition or order, Funds Transfer Service Providers, etc. other than the 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 that disposition or order.
- (4) When the Prime Minister has revoked 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 provisions of Cabinet Office Order.

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

Article 101 (1) The provisions of Article 2, paragraph (19) through Article 2, paragraph (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) apply mutatis mutandis to Designated Dispute Resolution Organizations. In this case, except in cases specified in the following paragraph, the terms in these provisions listed in the left-hand column of the table below are deemed to be replaced with the terms listed in the right-hand column of that table:

complaints related to the Banking Business	complaints related to the Funds Transfer Service, etc.
disputes related to the Banking Business	disputes related to the Funds Transfer Service, etc.
participating Banks	participating Funds Transfer Service Providers, etc.
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 are 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 are specified by Cabinet Order:

Article 52-63, paragraph (1)	paragraph (1) of the preceding Article	Article 99, paragraph (1) of the Payment Services Act
	the following particulars	Category of dispute resolution services (meaning the category of dispute resolution services prescribed in Article 2, paragraph (15) of that Act; the same applies in Article 52-73, paragraph (3), item (ii) for which designation is sought, and the following particulars
Article 52-63, paragraph (2), item (i)	paragraph (1), item (iii) of the preceding Article	Article 99, paragraph (1), item (iii) of the Payment Services Act
Article 52-63, paragraph (2), item (vi)	paragraph (2) of the preceding Article	Article 99, paragraph (2) of the Payment Services Act

Article 52-73, paragraph (3), item (ii)	Banking Business	business pertaining to exchange transactions if the category of dispute resolution services is funds transfer business (meaning the funds transfer business prescribed in Article 2, paragraph (15) of the Payment Services Act); or business pertaining to the acts set forth in the items of paragraph (7) of that Article if the category of dispute resolution services is virtual currency exchange business (meaning the virtual currency exchange business prescribed in Article 2, paragraph (15) of that Act)
Article 52-74, paragraph (2)	designation under Article 52-62, paragraph (1) has been rescinded pursuant to Article 52-84, paragraph (1)	designation under Article 99, paragraph (1) of the Payment Services Act has been rescinded pursuant to Article 100, paragraph (1) of that Act
	Article 52-84, paragraph (3)	Article 100, paragraph (3) of that Act
Article 52-82, paragraph (2), item (i)	Article 52-62, paragraph (1), item (v)	Article 99, paragraph (1), item (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, paragraph (1) or (2), Article 54, paragraph (1) or (2), Article 63-15, paragraph (1) or (2), Article 80, paragraph (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 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, Virtual Currency Exchange 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, Virtual Currency Exchange 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, Virtual Currency Exchange 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, to the extent that the request is necessary.

(Delegation of Authority)

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

(2) The Commissioner of the Financial Services Agency may, pursuant to the provisions of Cabinet Order, 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 Order)

Article 105 Beyond what is specified in this Act, other particulars necessary for the enforcement of this Act are specified by Cabinet Office Order.

(Transitional Measures)

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

## **Chapter VIII Penal Provisions**

Article 107 Any person who falls under any of the following items is subject to imprisonment for not more than three years or 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, paragraph (5); the same applies in item (iii)) without obtaining registration under Article 7;
- (ii) a person who has obtained registration under Article 7, Article 37 or Article 63-2 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 conducted the Virtual Currency Exchange Service without obtaining registration under Article 63-2;
- (vi) a person who has, in violation of the provisions of Article 63-7, had another person conduct the Virtual Currency Exchange Service;
- (vii) a person who has, in violation of Article 64, paragraph (1), conducted the Clearing Services for Interbank Funds Transfer without obtaining a license from the Prime Minister; or
- (viii) a person who has obtained a license under Article 64, paragraph (1) through wrongful means.

Article 108 Any person who falls under any of the following items is subject to imprisonment for not more than two years or 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, paragraph (1);
- (ii) a person who has violated the provisions of Article 63-11, paragraph (1);
- (iii) a person who has violated an order to suspend all or part of the Virtual Currency Exchange Service pursuant to the provisions of Article 63-17, paragraph (1);
- (iv) a person who violated an order to suspend all or part of the business pursuant to the provisions of Article 82, paragraph (2); or
- (v) a person who violated an order to suspend all or part of the business pursuant to the provisions of Article 96, paragraph (2).

Article 109 Any person who falls under any of the following items is subject to imprisonment for not more than one year or a fine of not more than three million yen, or both:

- (i) a person who has failed to give a public notice under Article 20, paragraph (2), Article 61, paragraph (3) or Article 63-20, paragraph (3) or who has given

- a false public notice;
- (ii) a person who has, in violation of Article 43, paragraph (1), failed to make a deposit;
  - (iii) a person who has, in violation of an order under Article 46, failed to make a deposit;
  - (iv) a person who has failed to prepare or maintain the books and documents under Article 52, Article 63-13 or Article 78, or has prepared false books or documents;
  - (v) a person who has failed to submit the written reports under Article 53, paragraph (1) or (2), Article 63-14, paragraph (1) or (2) or Article 79 or the accompanying documents under Article 53, paragraph (3), Article 63-14, paragraph (3) or (4) or has submitted false written reports or accompanying documents;
  - (vi) a person who has failed to submit reports or materials under Article 54, paragraph (1) or (2), Article 63-15, paragraph (1) or (2) or Article 80, paragraph (1) or (2), or has submitted false reports or materials;
  - (vii) a person who has failed to answer or has given a false answer to the questions asked by the officials under Article 54, paragraph (1) or (2), Article 63-15, paragraph (1) or (2) or Article 80, paragraph (1) or (2), or has refused, hindered or avoided the inspection under these provisions;
  - (viii) a person who has made false statements in and submitted the written application for license under Article 65, paragraph (1) or the accompanying documents under paragraph (2) of that Article.

Article 110 A person who violated an order to suspend all or part of the business under Article 26 or Article 27, paragraph (1) is subject to imprisonment 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, paragraph (1) or (2) (including the cases where these provisions are applied *mutatis mutandis* pursuant to paragraph (3) of that Article) or Article 93 is subject to imprisonment 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 is subject to imprisonment for not more than six months or 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, paragraph (1) or the accompanying documents under paragraph (2) of that Article or has submitted a false written notice or accompanying documents;
- (ii) a person who has made false statements in and submitted the written

- application for registration under Article 8, paragraph (1) or the accompanying documents under paragraph (2) of that Article, the written application for registration under Article 38, paragraph (1) or the accompanying documents under paragraph (2) of that Article, or the written application for registration under Article 63-3, paragraph (1) or the accompanying documents under paragraph (2) of that Article;
- (iii) a person who has, in violation of Article 14, paragraph (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, paragraph (1) or the accompanying documents under paragraph (2) of that Article or has submitted false written reports or accompanying documents;
  - (vii) a person who has failed to submit reports or materials under Article 24, paragraph (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, paragraph (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 that Article.

Article 113 A person who violated an order under Article 55, Article 63-16, Article 81, or Article 96, paragraph (1) is subject to a fine of not more than one million yen.

Article 114 Any person who falls under any of the following items is subject to a fine of not more than three hundred thousand yen:

- (i) a person who has failed to make a notification under Article 5, paragraph (3), Article 11, paragraph (1), Article 41, paragraph (1) or Article 63-6, paragraph (1), or made a false notification;
- (ii) a person who has failed to provide information under Article 13, paragraph (1), or has provided false information;
- (iii) a person who, in violation of Article 955, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article, paragraph 63-20 (7), has failed to state or record in an Investigation Record Book, etc. (meaning the Investigation



- Record Book, etc. prescribed in that paragraph; hereinafter the same applies in this item) the particulars specified by Ministry of Justice Order concerning Electronic Public Notice Investigations prescribed in that paragraph, or has made a false statement or record, or has failed to maintain an Investigation Record Book, etc. in violation of the that paragraph;
- (iv) a person who has violated an order under Article 25;
  - (v) a person who has failed to submit the written notice under Article 30, paragraph (2) or the accompanying documents under paragraph (3) of that Article or has submitted a false written notice or accompanying documents;
  - (vi) a person who has failed to make a notification under Article 30, paragraph (4) or has made a false notification;
  - (vii) a person who has failed to make a notification under Article 69, paragraph (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, paragraph (3), has used in that person's name certain wording that is likely to mislead the public into believing that the person is a Member of a Certified Association for Payment Service Providers (meaning a Member prescribed in Article 87, item (ii); the same applies hereinafter); or
  - (x) a person who has failed to make a notification under Article 100, paragraph (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 applies 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 the offender, but also the corporation is subject to the fine prescribed in the respective items and the individual is subject to the fine prescribed in the Articles referred to in the respective items:

- (i) Article 108 (excluding item (v)): A fine of not more than three hundred million yen;
  - (ii) Article 109 (excluding item (i)): 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, item (v), Article 109, item (i), Article 112, item (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 represents 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 apply *mutatis mutandis*.

Article 116 Any person who falls under any of the following items is subject to 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 20, paragraph (4), Article 61, paragraph (7) or Article 63-20, paragraph (7), failed to request an investigation under that Article;
- (ii) a person who has, in violation of Article 946, paragraph (3) of the Companies Act as applied *mutatis mutandis* pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article 63-20, paragraph (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, paragraph (2) or the items of Article 955, paragraph (2) of the Companies Act as applied *mutatis mutandis* pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article 63-20, paragraph (7) without reasonable grounds for doing so.

Article 117 Any person who falls under any of the following items is subject to 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, paragraph (1), Article 61, paragraph (1) or (4) or Article 63-20, paragraph (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, paragraph (1) without justifiable grounds for doing so.

Article 118 Any person who falls under any of the following items is subject to 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, paragraph (2) or has made a false notification; or
- (ii) a person who, in violation of the provisions of Article 89, paragraph (2), has used in that person's name certain wording which is likely to mislead the public into believing that the person is a Certified Association for Payment Service Providers.